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National Business Review

Multi-million dollar housing deal with Iran collapsed?

by Rae Mazengarb

A JOINT multi-million dollar NZ-Iran housing deal has crashed amidst allegations that the Iranian parties in the venture were "swindlers".

The Iranians are said to have taken deposits for houses in a $20 million housing scheme which has not materialised.

The New Zealand party in the housing deal is Extrade International Limited, a Wellington-based company with offices at Robert Jones House.

Incorporated in October 1975 as a private limited liability company with paid up capital of $6000 in $1 shares, Extrade's original shareholders were: Edward Howarth, Rex Robertson and Olphert & Bornholdt Nominees Limited, of Wellington.

Directors of Extrade throughout have been Howarth, Robertson, and Wellington solicitor Bruce Bornholdt.

The latest return filed in the Companies Office dated 8 December 1978, shows the shareholding unchanged from the original subscription.

When NBR called on Bornholdt he refused to discuss any aspects of Extrade, referring all inquiries to Howarth.

Although Howarth spoke of one or two persons as having small shareholdings in Extrade, it is not clear just who is the effective controller of the two-thirds interest held in the nominee company.

The nominee company is a solicitors nominee company — a bare trustee of documents of title for some other person.

It cannot engage in business on its own account in any way.

The company's business is in the exporting of low-cost, pre-fabricated houses — mainly to the Middle East — and supervising their construction on site.

Mid-way through last year the Teheran newspaper, Kayhan International reported:

"Police are looking for a gang of swindlers who took millions of rials from many different people as deposits for villas and houses in Teheran and then fled. A report yesterday said the swindlers, who have not been identified, advertised in local newspapers giving their office address as 149 Takhte Tavous Avenue. Many people paid money at the office and were told they would be informed when their house was ready. Returning to the office after some 10 months, the people found the office closed and everybody gone. Police are investigating the matter further." (July 17, 1978).

The New Zealand Embassy in Teheran and Foreign Affairs in Wellington then began official communications on the situation.

These (and NBR's) investigations have not been helped by the confusion caused by the current revolution.

But the address given by the Teheran newspaper was the office of the Iranian parties who placed the order; and it was from that office that a large cheque which formed the deposit under a binding contract between the two groups, for a $20 million low-cost housing development, was forwarded to Extrade.

In the following months warrants were apparently issued for the arrest of the two Iranians with whom Extrade dealt, but a reliable source says the men fled the country or went into hiding, apparently with the money deposited from prospective Iranian homeowners.

By October last year, says Howarth, Extrade's chairman of directors, soldiers were in the streets and anti-Western feeling was running high; but the Iranian authorities had moved to try to save this joint deal, along with dozens of other schemes which had similarly collapsed.

Howarth and another New Zealander flew to Teheran to attempt to salvage the operation through new parties authorised by the Government to take over the Iranian side of the joint-venture.

But despite the fact that Iranian authorities had established a special department to clean up the mess, confusion and mistrust was deep and the New Zealanders returned home with the scheme still in tatters.

Fifteen months have now elapsed since the original deal was signed and the deposit was paid a year ago, yet designs for the project never really got off the drawing board.

Christchurch architects, Warren & Mahoney, told NBR, "It was a grandiose scheme which never got off the ground" — but were unwilling to discuss the project further.

Diplomatic sources say the Iranian parties did little to acquire either the necessary finance or building permits.

Those same sources continue to be guarded about the affair. Publicity, they fear, could do little to enhance New Zealand's image in Iran, or indeed, the Middle East as a whole.

But Howarth stresses that the New Zealanders were not involved in any bad publicity over the affair; Extrade had a man in Teheran for nine months, but "our people operated from a villa".

"We were all systems go, and then we couldn't get a building permit," he explained.

"Our people at the other end got into strife and it took four-five months to sort out . . . there has been no prosecution as far as I know."

In fact, Howarth said, it was debatable whether the Iranian parties could be called "swindlers".

"Our people ran into trouble through their inability to get a building permit," he said.

There was some question of having to pay bribes: "They hadn't paid off the right people."

"The story we heard was that a year previously someone was caught paying a bribe to the municipality," and Howarth added that after the issue became public, building permits were not being issued.

The Government then moved in about August and investigated the situation.

Having "virtually written tron off" by this time Howarth's company were surprised to be invited back in October to make arrangements to start the project, but political unrest upset the attempt.

But the apparent moves by the revolutionary Government in Iran to restore a limited trading relationship with the Western world, have in the last few weeks meant a few more ripples in the Extrade deal.

Howarth told NBR, "We've started getting telexes to begin a Government housing project".

"One of the people we know over there is asking for prices, but I don't think we'll get our people in there," he said. "We're looking at (the proposal) with jaundiced eyes."

The contact Howarth referred to is apparently the same man authorised at the eleventh hour by the Iranian Government to attempt to save the original deal. But the diplomatic attitude is cautious.

New Zealand ambassador to Teheran, Chris Beeby commented, that past experience of a large number of companies suggested there were a great many pitfalls involved in tendering for housing contracts in Teheran.

So what of Extrade in the future?

A deposit was paid for the deal, however, NBR inquiries have failed to ascertain how much money was involved.

But according to Howarth sums received will probably not cover costs which would run into "hundreds of thousands" of dollars.

Apart from the cost of basing a man in Teheran for nine months, Extrade has financed 12-15 trips into Iran by other individuals in the company.

According to Howarth, the construction company does not undertake contracts in this country.

Asked what other deals the company was involved in, he said one in the near East "is at present under negotiation" and his company is also hoping to tie up a deal in one of the Arabian countries.

Perhaps the current situation is presenting cash flow problems for the company?

Howarth — sitting in the plush surroundings of Robert Jones House — met this suggestion with the comment that the company was paying all its bills regularly — except for a couple which were debts owing to individuals involved in the company.

Until now, "We've done a few small deals, but only bread and butter projects," said Howarth referring to a small project in Dubai and another in Saudi Arabia.

"We've been staying afloat that way, and also by an injection of capital from shareholders."

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Let us hope for tough Tories in Brussels

by Colin James

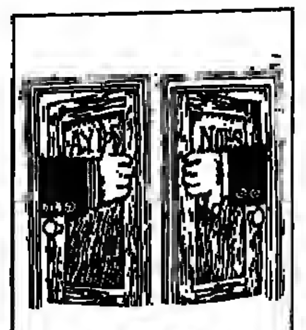
IN INDUSTRIALISED societies farming has become increasingly uneconomic. That is, farmers have been gradually losing ground compared with the people in the cities.

Essentially this is because rapid technological development has pushed up the productivity (the output per person) of secondary industry faster than that of primary industry.

If you are producing food for consumption in an industrialised country, your return will grow more slowly than that of the people consuming it — whether you happen to be a farmer in, say, Germany, or one here sending his produce to Germany.

For all its industrialisation of the past two decades, New Zealand is basically a countryside for industrialised societies. Its income has grown more slowly than the industrialised societies.

Like the German countryside, New Zealand sends



POLITICS

produce to German cities. In return, the German cities send factory products to the German countryside and New Zealand.

It is not quite as simple as that, of course. We often buy semi-finished factory products and finish them in our towns. Sometimes we make the whole product in our towns' little factories.

We can do this by putting a fence (import controls) around our towns with the factories, something the German countryside cannot do.

There is another important difference: the German cities give the German countryside money through tax subsidies, thus evening the money gap. The German cities do not give this Pacific outpost countryside money.

There is a third difference. If jobs disappear in the German countryside because the city factories make them uneconomic, the people who were in the jobs can go off to the German cities.

From this countryside here, the journey to the cities is longer and requires the wrench of emigration.

That is the root of the short-term argument against taking down the fence around our small town factories. Unprotected countrysides all over the industrialised world — even when coddled as in France — are depopulating.

An alternative to depopulation — which improvements in food productivity only make worse — is the implantation of city-style activities in the towns of the countryside, usually attempted with (regional development) subsidies. Our version of the subsidy has been import licensing.

This is a grossly oversimplified picture. But it does indicate the political reality confronting our Government.

No matter how inventive and ingenious we are — and the dairy industry has a good record — the general declining fate of countrysides suggests that without city-style activities we will go on declining relative to the industrialised societies.

That is a choice we could make — and the Values Party would like us to make it. But the political reality is that most people want to stay up with the industrialised Joneses.

So the Government is wooing German industrialists with cheap energy to bring us some city-style activities. It woos German politicians to keep them sweet on our case for access to the EEC market.

In the absence of a (politically unrealistic) arrangement (such as federation or customs union with Australia) which will subsidise us as the German cities subsidise the German countryside, political reality requires these manoeuvres.

The point of using Germany as an example above is not because it is a natural city to New Zealand's countryside — Britain and the United States would be better examples from the real world. I introduced Germany because it is a mixed blessing for us.

At the same time as the German Government dispenses sympathy for our EEC access case, its internal farm price policies — which, despite recent restraint, have kept German prices higher than the EEC average (20 per cent above the French, for example) — have added to the overall upward pressure on EEC prices.

High prices give some room for New Zealand negotiators to seek higher returns for our butter. But they also ensure the EEC food mountains grow, the disposal of which disrupts international markets.

Three considerations modify this picture now: the setting up of the European monetary system (EMS) last month is seen by some commentators as possibly offering long-term hopes of lower EEC farm prices; there are signs of increasing consumer resistance from Germans themselves; and, on present indications, the German politicians seem to have gone along with the idea of a freeze this year (though a decision is two months away yet).

But it is the British to whom we have to continue to look for our salvation. The likely freeze has been largely of Britain's making and Britain has been the strongest voice in favour undoing the worst excesses of the pernicious common agricultural policy.

Two factors lie behind this British initiative.

First, Britain is now the largest net contributor to the EEC budget, even though its gross national product is only half that of Germany.

Germany, through the system of artificial "green" currencies and "monetary compensation amounts", is one of the biggest beneficiaries of EEC spending, taking $1300 million out of the agricultural pool in the last three months of 1978.

Second, the Labour Government in Britain has pursued a "cheap food" policy. Thus, where Germany has its green mark artificially low to raise prices to farmers, Britain has kept its green pound artificially high and its food prices thereby relatively low.

One might add a third factor. Britain's Agriculture Minister for the past 2½ years, John Silkin, is both an anti-marketeer by instinct and a tough and ruthless negotiator by nature.

Therein lies the importance to us of the British election. It is not quite enough, as the Prime Minister has done, to claim airily that the result will not matter because he is good friends with both Jim Callaghan and Margaret Thatcher.

Margaret Thatcher is not personally much interested in the EEC (unlike her predecessor, Edward Heath, who made joining Europe almost a personal crusade). Thatcher has remarked to friends that she will be too busy sorting out Britain's economic problems to spend much time thinking about the EEC.

But that does not equate with antipathy. More likely it makes her more susceptible to the pro-EEC sentiments of those around her.

Add to that the fact the Conservatives are the … representatives of Bri… farmers, and a Conserv… Government takes on a … ferent hue from Callag… Labour Government.

The farmers want hi… prices than the green p… has allowed them.

And, while no Br… Government could ignore political realities which … from consumer concern … food prices, a Conserv… Government could be exp… to temper fear of the cons… with sympathy for its fa… voters in a way the La… Government was not … strained to do.

A case in point could be … development of an E… sheepmeat policy, w… might follow the EEC … mission's current prop… of the French for putting … barriers on intra-EEC tr… lamb.

With producers as wel… consumers to consider … Conservative Govern… might be less adamant … low prices, should … element of pricing … introduced.

The question might be … asked as to whether … Conservatives would … tough on our behalf … coming negotiations over … 1980 access for butter.

One further concern … Zealand lies over the … of the farm … John Peyton, the … agriculture spokesman … one of the ablest but … chers; nor has the … foreign secretary, … Davies, impressed … mentators.

Should the Conserv… win, therefore, it will … more than passing … New Zealand whether … two will be passed over.

This is not a black and … matter, with … changes in store. Rather … be measured in shades … of nuances of attitude … longer term.

But these shades of … important to our live… the 1980s.

The opinion polls … Thatcher win. In that … Prime Minister would … rejoice in the success … fellow conservative … Ironically, he and his … may have thereby … raw to hoe in London.

Stockbroker tips energy firms for long-term

Special Correspondent

WHAT THE BROKERS SAY

STOCKBROKERS have tipped three major New Zealand companies as long-term investments because of growth prospects resulting from their involvement in the distribution of alternative energy supplies.

Auckland stockbrokers Leuschke Whiteman, in a 14-page energy company review, named D McL Wallace, the MSI Corporation, and Ceramco Limited as good potential.

As a consequence of the recent Iranian crisis and New Zealand's development of Maui and Kapuni gas reserves, business is picking up for the companies involved in the supply of conversion equipment.

Kapuni is producing natural gas for use in the North Island plus 20,000 tonnes of its by-product, Liquefied Petroleum Gas (LPG).

There is a lot of interest in LPG although other technologies are known. But the major problem with LPG is the short supply situation which will continue until the Government makes long-term decisions on how abundant Maui gas reserves will be used.

Maui LPG production would make large scale conversion of vehicle fleets a sound investment prospect with resultant profits to energy companies.

In the case of Compressed Natural Gas (CNG), the coming on stream of Maui means no shortage of supplies.

Leuschke Whiteman predict that the Government will move later this year to encourage further use of CNG and LPG by both industry and private motorists. It is also expected that measures will be introduced to make gas a premium fuel in the home and in the transport industry.

There are nearly 1½ million vehicles including cars, trucks, boats and contracting equipment in New Zealand. Assuming that 50,000 to 100,000 will be converted a year at an average cost of $1000 a conversion, this gives a potential market of up to a $100 million annually.

Three companies are considered to be particularly well placed to take advantage of the situation.

D McL Wallace has New Zealand rights for two major and proven conversion systems. The Tartarini system was perfected in Italy and costs less for a conversion unit than other systems. It offers both LPG and CNG conversion with a petrol alternative. A motorist using this system can, by flicking a switch on the dashboard of the car, change from petrol use to LPG-CNG.

The system is easy to fit and costs between $1000 and $1500.

The company also has rights to the United States designed Duel Fuel system which was developed specifically for the larger vehicle and big fleets.

Wallaces will be able to service both spheres of the conversion market, and is already involved with the Tartarini and Duel Fuel agencies in Australia.

The MSI Corporation has introduced the IMPCO Carburetion system for LPG, which is the only system to pass the stringent California exhaust emission test.

The design of the IMPCO system completely eliminates the petrol fuel system. An alternative system allows conversion of all petrol engines fitted with conventional carburettors.

Leuschke Whiteman comment that the share market has not fully realised the potential of the IMPCO LPG conversion system, and point to MSI's 8.8 per cent dividend yield as the most attractive of the companies reviewed. The corporation has already established a wide network for distribution.

The third company tipped as a market leader in the gas field is Ceramco which recently had its $18 million takeover bid for MSI rejected.

Ceramco claimed at the time of the bid that one of the benefits of the merger would have been in the development of common interests in the gas field.

Mason Andersons, the country's major manufacturer of LPG storage vessels, is part of the Ceramco Group.

Ceramco have also acquired two important agencies. One is for Flamex which is a hydrocarbon compound used as an additive in propane and natural gas for cutting and welding. The other is the franchise for Rinnai LPG appliances for the home heating and leisure markets.

Ceramco also own nearly a quarter of Tappenden Industries and are bidding to take over the company.

New Zealand Industrial Gases is also well established in the gas field and has developed bulk installations and its own transport system. It's to spend $4 million this year on capital development.

Gas companies in Auckland, Wellington, and Christchurch are all geared to take both LPG and CNG and are planning filling stations for both.

The trading results of these companies have been erratic lately but Auckland is in a strong position in a major market. Wellington is restructuring its organisation and Christchurch has got a Government guarantee of a subsidy to keep their plant going until Maui gas gets to the South Island.

Interestingly, several major institutional investors have a large shareholding in the three leading companies. Government Life, National Mutual, and T & G hold over 500,000 of Wallace's 3.2 million shares among them.

AMP, CML, National Mutual, Government Life, State Insurance, the Accident Compensation Commission and two family trusts hold 29 per cent of MSI ordinary shares.

And the AMP, Government Life, State, National Mutual and Prudential Assurance are Ceramco's major shareholders.

UEB's change of MD injects new spirit

by Warren Berryman

UEB Industries Ltd is on the move again. After more than six years of careful consolidation under the management of Geoff Philips, UEB is back into the entrepreneurial stride set by its founder Sir James Doig.

Philips, the self-described "administrator", retired last week and the managing director's job went to Rob Tedcastle.

Tedcastle, 43, is seen by UEB management very much as a man who will fill Jim Doig's entrepreneurial boots.

He sees himself as both administrator and entrepreneur.

After only one day on the job, Tedcastle announced UEB's $9 million takeover bid for Trans Holdings Ltd — the Christchurch-based hotel and tour operators.

Tedcastle bubbles over with enthusiasm. "Trans is only the beginning," he said.

"The board has expressed a positive wish to get UEB up and going again. I have a tremendous faith in New Zealand and New Zealanders. I'm pretty excited about the possibilities for growth and expansion," Tedcastle said.

The Trans Holdings takeover idea was his baby from the beginning. Tedcastle said, UEB had been looking for growth areas into which it might expand.

It was interested in tourism. The catalyst was Continental Airlines announcement that it was coming to New Zealand and would be promoting Australasia in the United States. The decision to shoot for Trans Holdings was made.

"New Zealand is the most beautiful country on earth . . . all we need to do, is promote it," Tedcastle said.

Tedcastle said he liked Trans Holdings style and performance. If the takeover goes through and is approved by the Commerce Commission the Trans Holdings operation would be freestanding.

UEB could offer financial muscle, management services, and training facilities...but Trans Holdings' greatest asset was its people, he said. "We won't tell them how to run the tourist industry and I hope they won't try to tell us how to make carpets."

The Trans Holdings bid is

Continued on page 16.

EDITORIAL

The substance of yet another rundown of the New Zealand economy seems to have been dismissed by Muldoon while he sets his sights on gunning down the author. Christopher Jay's work in the Australian Financial Review was described as "A series of articles, in extravagant language, damning the economy and the economic policies of the Government". And when TV1 brought Jay to New Zealand to be questioned about his observations and conclusions, it "had the effrontery" to invite Muldoon and deputy, Hugh Templeton, to take part in the programme. To have taken part in such an interview "would dignify this individual beyond his deserts, and naturally we refused". So MPs Marilyn Waring and Ian McLean went along instead.

Muldoon seemed particularly miffed that when the economic journalist came here to research his project, he "did not think fit to even seek an interview with the Minister of Finance . . ."

Muldoon invites immediate criticism from local journalists when he says Jay should have seen him. He has effectively cocooned himself from media questioning till last week when press conferences resumed. Previously reporters were obliged to put questions to him in writing through his press staff; he chose which reporters would be granted the privilege of answers. The critical finance portfolio was put under wraps to such an extent that the Associate Minister of Finance officially wasn't given the Treasury's end-of-year "state of the nation" report and was embarrassed by publicly raising the question of price control dismantling to the Retailers Federation several hours after Muldoon had publicly declared they would be lifted.

When facts are obscured and the detailed nature of an economic restructuring remain uncertain the business community cannot make long-term plans. That point was emphasised to a seminar in Auckland last week: negotiation on long-range wage contracts needs a climate of certainty that is created only by frank, open and stable government. The bargain struck between employer and employee is suspect if it can be invalidated overnight by a Government decision to intervene or by a decision with inflationary consequences.

Similarly, no foreign government will be eager to invest in a country which without warning increases power charges by some 50 per cent, then a few weeks later indicates its appreciation that the decision might have undesirable consequences and ought be modified for energy intensive export industries like Tasman Pulp and Forest Products.

Muldoon, presumably, would argue that he has created a stable economic climate and that his Government is both frank and open. If that be so, he may complain that Jay should have paid him the courtesy of a visit. He cannot complain that such a visit was essential for writing about the economy. The facts about the state of the economy should be clear to anyone who cares to look. If they are not, and if they cannot be clarified without consulting Muldoon, then he is doing this country a disservice either by shielding the public from the truth, or by shielding his performance from public scrutiny.

As for Muldoon's opinions about the state of the economy and how the Government is tackling our problems, the researcher can read dozens of speeches on the subject plus his articles in Truth. Rather than portray his pique on a petty point of protocol, Muldoon should heed Jay's conclusions that New Zealand needs better access to the Australian market as a first step to economic recovery. Jay said Australia has a vital interest in seeing a revival of the New Zealand economy because it is the most important single overseas market for Australian manufacturers. And it argued that guaranteed access — rather than de facto access — should be provided to Australia's market if New Zealand industrialists are to plan ahead with more certainty and commit necessary funds on modernisation and restructuring.

If Muldoon does not reject that argument, then this week he should do something about it during the current bout of Nafta talks.

Bob Edlin

IT'S debatable how long the deer farming boom we mentioned recently will last. Obviously deer farming is going to appeal to farmers and entrepreneurs in other countries, many much closer to the European venison market. Less obvious is why we have to help it happen the same way as we have naively assisted other countries which are or will become competitors in an increasingly cut-throat international marketplace. We have, for example, helped build up stud sheep flocks, supplied kiwifruit vines, constructed dairy factories.

Scotland, it seems, is gearing up to rival New Zealand's rapidly-growing deer farming industry. Like New Zealand, Scotland has wild deer herds to supply breeding stock — 250,000 red deer in the highlands alone, and almost four million hectares on suitable, unfarmed land for grazing.

It was recently noted in the press that a Scottish veterinarian and deer farmer was coming to New Zealand in May to attend a deer farming symposium and to visit farms and research laboratories. Presumably he'll be welcomed warmly; at the same time we ban from the country various people whose social and political views we fear but who will ultimately do us less harm than those who will apply our agricultural ideas and innovations in other markets.

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WE were ungracious enough to suspect that Air New Zealand might be taking advantage of a monopoly situation . . . but the corporation had an explanation.

One of our staff arrived at Air New Zealand's Auckland depot with a 16 by 23cm envelope to be sent on the overnight Jetex service to Wellington.

"Sorry", the counterman said, "we can't accept Jetex, but you can send it Courier Pack".

Why? "All our competitors are on strike," he said, referring to a strike by storemen and packers and consolidators. "We are the only service going."

So we sent the envelope by Courier Pack at a cost of $6.50 (compared with $2.25 to go Jetex.)

The strike had left Air New Zealand with more cargo than it could handle, we were told.

And so it was we saw our tiny envelope put into a 1½ square metre Courier Pack envelope.

Had it gone Jetex it would have occupied less than one ninth the space . . . at about one third the cost to the customer.

But all was explained by city freight supervisor, Dave Goodison. Two factors — the strike and the previous week's bad weather which closed airports around the country — left Air New Zealand with half as much cargo again as it normally handles.

To get rid of the backlog, the airline cut all Jetex on the Thursday and accepted only Courier Pack.

Courier Pack, Goodison explained, was top priority (having the same priority as a passenger), and was not handled by the cargo side of the operation.

All of which still leaves us, along with others in the queue of businessmen with rush parcels bound for points south, $4.25 out of pocket.

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WITHOUT WORD OF A LIE

AS Alice said: "Things get curiouser and curiouser."

Government is spilling hydro power over the dams and burning gas in thermal generators just to get added gas throughput to extract more condensate to make into petrol... to combat the fuel shortage the Government blames on the revolting Iranians.

Blaming the so-called petrol shortage on the Iranians diverts the public's critical gaze from the Government's management of the economy at home.

But increasing electricity charges by 50 per cent doesn't seem to make sense.

One would have thought that cheap electricity would both encourage its use (boosting throughput and increasing condensate production) and cut costs of New Zealand production (enhancing our export competitiveness and boosting foreign exchange earnings to pay for imported petrol).

Insofar as river water spilled over a hydro dam is a resource used now or lost forever (while gas used in thermal generators is a non-renewable resource), one could be excused for thinking the electricity price hike's were an unnecessary burden on local consumers and manufacturers — or worse.

All that water wasted could be used for cheap power to reduce export prices for Tasman Pulp and Paper or Winstone's new thermo-mechanical mill at Kariori.

Finance Minister Muldoon, at the opening of the $30 million Winstone mill, backtracked on his month-old electricity price hikes saying: "My Government is well aware of the short-term effect of the new electricity charges on major energy-intensive industrial users involved in exporting, and a form of temporary relief for such industries with a high electricity content in their product is now under consideration."

So there must be a method in all this madness which is ... to the laity barred from ... inner sanctum of Government decision-making.

A likely explanation ... given by an international energy adviser. Overseas experience he said, suggests that governments hike electricity prices to the highest tolerable level when a ... gas field is about to ... production. They do this ... encourage the use of gas ... which in turn enables the ... production company to ... its capital costs of development.

When the public has been hooked on gas, he ... governments then hike ... price of gas to the highest tolerable level.

The Maui field cost ... Government, Shell, BP ... consortium about $1 billion ... develop.

The only trouble with ... production cost recovery ... scenario in this case is that ... Government has been woefully lacking in foresight to ... use this new gas resource.

Pipelines are yet to be finished, and other transport options, such as ... and CNG to power vehicles ... are little more than a gleam in the planner's eye — ... the fact that the oil crisis ... more than five years old.

To make matters ... Opec's price hikes ... New Zealand more than ... other countries.

The premium prices ... crudes and naphtha ... us more because our ... oil is lighter than that ... dustrial countries — that ... use more light distillates ... petrol and diesel ... heavy fuel oil because ... more cars and trucks ... heavy industry.

So if we crack enough ... crude to obtain ... petrol, we wind up ... surplus of fuel oil — ... dustry has been ... front using fuel oil ... prices.

(Otherwise we import ... and naphtha — at ... prices.

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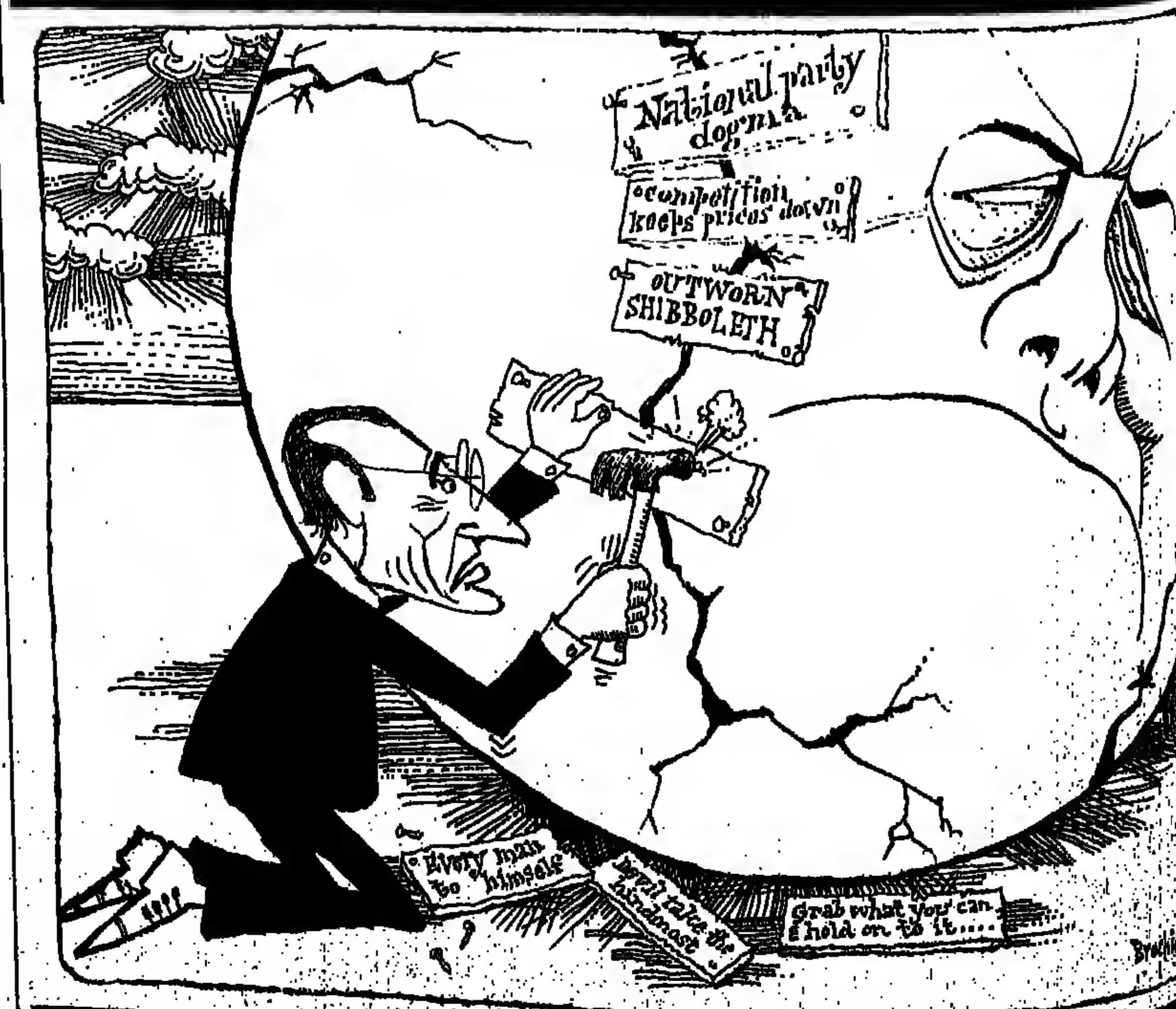
BROCKIE'S VIEW



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THE Prime Minister is fond of claiming that we journalists are irresponsible, biased cads and bounders, not only not pro-government but, as he suggested in a recent issue of "Truth", anti-New Zealand to boot.

Yet it seems that for all this, the PM is not averse to a bit of unabashed plagiarisation of the press and its findings when it suits him.

This sobering fact was brought home to us by a speech he gave on April 3 to Associated British Cables in Christchurch. Some of the phrases sounded uncannily familiar. And so they should have. They were cribbed almost verbatim from an article that appeared in this very paper on March 21, just two weeks before the PM made his speech.

For those who enjoy such trivia, we present a random selection. From a piece entitled "South Island's economic base subtly ebbs away with a drift north — or is it in great shape?"

NBR: Stewart says industrial and commercial leaders in the south have been talking depression too long.

PM: Industrial and commercial leaders in the south have been talking depression for too long.

NBR: "Sure there are problems," the head of a large engineering firm said, "but with good management and forward thinking policies they can be overcome.

PM: Parts of the South Island are now suffering a trying time but with good management and forward-thinking policies these problems can be overcome.

NBR: If a company is manufacturing largely from locally-available materials, producing a lightweight compact product for which freight is not a factor, and aiming for a sizable export as well as domestic market, the South Island industrial areas are still a good bet.

PM: The South Island is therefore a good area for companies adding value to local resources, for those producing a lightweight compact product for which freight is not an overwhelmingly important factor, and for those aiming for a sizeable export as well as domestic market.

NBR: In 1936, 35.4 per cent of New Zealand's population lived in the South Island. In the last census, 1976, the figure was 27.5 per cent. This represents an average drift per year of about 0.2 per cent. ... the drift fell to an average of about 0.16 per cent in the period 1971-76 ...

PM: In the 40 years between the 1936 and 1976 census, the South Island's share of the country's total population declined from 35.4 per cent to 27.5 per cent — an average decline of 0.2 per cent. In the 1971-76 period it was only 0.16 per cent.

Now we don't want to sound pernickety, but it doesn't seem exactly cricket to box us over the ears with one hand and pick our pocket with the other.

And if someone is going to pick our pocket, we'd rather they took everything and not just the things they particularly fancied. In this case, our article gave both sides of the story, including the widespread view that the government had not made enough effort to help the South Island overcome its economic disadvantages.

Who's biased now?

Imitation, we are told, is the most sincere form of flattery. We remain, sincerely, unflattered.

•

THERE is no shortage of petrol in New Zealand. In fact, if the public of New Zealand adopts a plan recently devised and perfected by our NBR motoring editor, this country should soon have an exportable surplus of motor spirits.

Our motoring man is a pragmatist. He believes only what he experiences. So he collected petrol-saving hints and began to apply them. The Shell Answerman booklet, for instance, told him a clogged air filter can cut fuel performance by 20 per cent. He unclogged it. Under-inflated tyres, it said, can cost 20 per cent efficiency in petrol consumption. He adjusted his tyre pressures quickly. A badly packed roof rack can increase fuel consumption by 15 per cent. Easily fixed. As he accumulated data from various sources so he put his new knowledge to use. Savings mounted. Binding brakes had cost 30 per cent and badly adjusted carburettor 12 per cent. Smart changing of gears from first to second saved 15 per cent.

Suddenly he was confronted by a new problem. He was now saving more petrol than he was using. He has decided to live with the problem but admits that it is a bit of a bore having to stop every 30 or 40 kilometres to siphon off the excess petrol.

•

BETWEEN the giants of the fast-food industry and the nuts among the berries in the health-food stores is a world of difference. But Pizza Hut may be about to grab a slice of the health-food market, if company general manager Gary-Melville-Smith has his way.

Just back from a four-day pizza spree in San Diego, Melville-Smith states that American convenience food outlets now have to display a nutritional analysis of their menu, and anticipates this may soon become a requirement in New Zealand.

"While many convenience foods have been found to lack vital nutrients," boasts a press release, "pizzas have been revealed as one of the more nutritionally-balanced of the fast foods."

If you thought the cheese and tomato topping was there because it tastes good, forget it — the Americans are going for its protein and vitamins.

And the pastry base, a source of anxiety to the calorie-conscious, "yields necessary carbohydrate and starch." Not to mention the nutritional extravaganza offered by "the wide choice of additional toppings, which include meats, seafoods and vegetables."

With all that going for it, who could go past a pizza?

•

QUESTIONED on Radio New Zealand's Morning Report the other day, Trade and Industry Minister Adams-Schneider confessed to some uncertainty about the consequences of the sugar price hike. Trouble is, said the Minister, you can't measure the flow-on effect of such a decision.

Thus the inflationary consequences as the sugar price is passed on by breweries, soft drink manufacturers, biscuit and sweet manufacturers and so on appear to be a matter for conjecture.

Surprising, really. After all, the Minister earlier had sounded more than somewhat emphatic when he said the price rise would cause a rise in the all-foods price index of just .005 points.

•

EVERY morally minded, right thinking person will vigorously support Patricia Bartlett's representations to the Broadcasting Tribunal of complaints by the Society for the Promotion of Community Standards. The idea that full frontal nudity, even photographed discreetly and at a distance should be displayed on TV screens at children's viewing times must horrify all those who still cling to old ideas of modesty and propriety.

A carefully conducted investigation has shown that a "long shot" of average size men and women, when projected on to a TV screen, will occupy a vertical depth of approximately 127 millimetres. The secondary sexual characteristics of the nude figures, depending on sex, will occupy an image depth of approximately 11.5 millimetres. At the average viewing distance of 1 to 1.5 metres, the size of the image on the retina of the eye will be — well, considerably smaller — but still sufficiently disturbing if viewed for the full time of the exposure, 25 seconds, and especially when seen by those who did not have the forethought to switch the set off when the programme was announced.

With the exception of very young infants, many will agree with Patricia Bartlett's contention that bare breasts are offensive. Others will present the view that the Almighty was exceedingly careless in his arrangement of certain parts of the human anatomy and — apart from works of art and sculpture — the less we see of the unclad figure the better.

So those who place mental purity ahead of the satisfaction of debased cravings will support Bartlett's campaign to ban all nudity from the TV screen with the exception of programmes showing primitive native people. Not only do they not have the same standards as a New Zealand community but dark skins sort of camouflage the offending bits and pieces which, curiously, the natives share with their white-skinned brothers.

It is strongly suggested that where it is, for programme reasons, impossible to prevent the portrayal of white flesh on TV screens, a bold warning be displayed in advance, reading: "Viewers are advised to wear dark sunglasses for the ensuing scenes."

Cross makes TV's top cat a political post

by Bob Edlin

THE Cross plan to restructure television makes broadcasting more vulnerable than ever to the dictates of Government politicians.

It reduces the areas of responsibility of television's directors-general and consolidates executive powers in the politically-appointed chairman.

It endorses the idea that the chief executive be both policy-maker and administrator.

And it eliminates the ideal that this chief executive should be a career broadcasting administrator, serving as a crucial buffer between professional staff and political board.

On one hand, the plan can be said to make the controversial broadcasting system more publicly accountable. On the other, it exposes broadcasters to the whims and fancies of their political masters.

Cross already commands greater powers than any previous chairman.

He is the first full-time chairman in broadcasting's history. But he not only heads the board whose job is to lay down the broad sweep of policy. He also executes policy.

THE MEDIA

"In effect, I am a director-general", he has conceded. "But I'm taking a great deal of care to ensure my work at this time does nothing but mould the broadcasting organisation's self-sufficiency."

He argues: "Why I seem to be taking more power is that I'm the first widely known spokesman for broadcasting since God knows when."

Besides being the first full-time chairman in broadcasting's history, Cross is chairman of the corporation's finance and planning committee, and an ex-officio member of the standing committees which more closely preside over television and radio.

Cross is also the first chairman to have an assistant. The head of programme purchasing for the corporation, Ian McLean, was appointed executive assistant to the corporation's chairman at a starting salary of nearly $16,000 in July 1977.

But the notion of broadcasting having directors-general appointed from the ranks of professional broadcasters has been preserved until now — at least in appearance if not in effect.

Cross plans to scrap TV1 and TV2, replacing them with two divisions under their directors-general.

One, under TV2's Allen Martin, will control all local production, including news.

The other, under TV1's Alan Morris, will be responsible for networking, presentation, scheduling, transmission, selling advertising and buying overseas programmes for both channels.

Cross has said his restructuring creates a horizontal division in place of the present vertical split. The intention is to create genuine complementary public service broadcasting where the rating system assumes less importance.

The changes are designed to give a wider range of programming to viewers and will rationalise the use of facilities by both channels, Cross said.

The unified administration will have responsibilities for both services.

Cross has argued that the reorganisation "is designed to have the chairman of Broadcasting less involved, finally, than I have been in the last 18 months."

But his organisational structure, by creating a horizontal division in place of the present vertical split, will leave a vacuum at the top executive level which Cross inevitably must fill.

By creating two horizontal levels, each with separate functional responsibilities, an overlord is made necessary to determine priorities and to co-ordinate the activities of the two divisions.

Cross said changes should take full effect from April 1 next year.

If it proceeds, the degree of public accountability in public broadcasting will have gone from the sublime to the ridiculous — or the other way round, depending on your viewpoint — in just a few years.

Labour's 1973 legislation set up television as two distinct corporations, operating under a Government-appointed council but with no responsibility to a Minister.

The independent corporations each had a chairman and two other members appointed by the Governor-General on the advice of the Minister.

The key staff appointments for each corporation were the directors-general.

As the Adam Report said: "Making this appointment and fixing the appropriate terms for the contract of service of their chief executive officers are powers vital to the independence of the corporations and to the whole style of service they want to create."

Priorities among the various services were to be sorted out by the Broadcasting Council, with an independent chairman, deputy chairman and one additional member appointed by the Governor-General on the advice of the Minister, along with the three chairmen of the operating corporations.

National disbanded the council in 1976 and set up a single corporation — the BCNZ. It was headed by a [illegible]-member board.

The corporation's responsibility to a Minister of Broadcasting was restored.

The corporation appointed three standing committees of its members to be responsible to the corporation for Radio New Zealand, Television One and Television Two.

But as Broadcasting Minister Templeton declared at that time: "I want the services to have the maximum possible independence under their directors general."

The present TV directors-general were imported from overseas at the time the Labour plan was implemented. Both are career broadcasting men.

Before the Labour restructuring, the NZBC's chief executives — its directors general, like Lionel Sceats and Gilbert Stringer — had been promoted to the top through long careers in broadcasting.

Cross has been editor of The Listener and has had broadcasting experience on programmes like Column Comment. But he isn't a career broadcasting man in the same way as the previous chief administrators.

He can claim some commercial experience in manufacturing and publishing, but pre-eminently he is a journalist.

Above all, his appointment did not result from the post being advertised and a number of appropriately qualified candidates being considered. He is the appointee of the Government. And he is directly accountable to the Government.

If his plan is implemented, the principle of broadcasting being administered by political appointees will have become more firmly entrenched.

Whatever independence he may claim for himself, the critical fact is that a broadcasting system with a politically appointed chief executive is vulnerable to political abuse.

While Cross is there, this vulnerability may not be blatantly apparent. But who will succeed him? And how willing will be his successor to resist the pressures of political demands?

The 1976 legislation provided for parliamentary accountability, so that the Minister of Broadcasting might be questioned [illegible] broadcasting matters [illegible] House.

It required, too, that [illegible] Government policy direct[illegible] given to the corporation [illegible] be made in writing and [illegible] laid on the table of the House [illegible] ensure public debate.

But political influence [illegible] necessarily exercised [illegible] directives.

Prime Minister Muldoon wrote in Truth last week [illegible] two TV camera crews [illegible] been waiting at Paraparaumu to film the departure of [illegible] planeload of Government MPs; another two had [illegible] waiting at Auckland to film [illegible] arrival.

"Four television crews [illegible] such a trivial political [illegible] is a bit much, even for [illegible]" said Muldoon.

So he made the point [illegible] Cross.

It might have been [illegible] point, but the approach [illegible] Cross clearly amounts [illegible] attempt to influence [illegible] casting behaviour.

Cross presumably [illegible] anxious to please [illegible] acted on Muldoon's [illegible] and initiated inquiries [illegible] incident.

In the same Truth [illegible] Muldoon complained that [illegible] crew had spent four days [illegible] Cromwell district pro[illegible] programme "which was [illegible] the most slanted TV [illegible] affairs programmes I [illegible] seen in recent times."

It was an inquiry [illegible] National Party official [illegible] permitted to shift his [illegible] to a site on the main [illegible] Cromwell is inundated [illegible] Clutha dam.

A third complaint [illegible] TV1 brought to New Zealand for a current affairs [illegible] an economic writer who [illegible] written "a series of [illegible] extravagant [illegible] damning the economic [illegible] economic policies of [illegible] Government."

Along with these [illegible] about TV's treatment [illegible] matters involving [illegible] Party people and [illegible] Muldoon's implied [illegible] withhold funds if broadcasting [illegible] displease him: "Cabinet [illegible] front of it proposals [illegible] creased fees for TV. [illegible] obvious, however, that [illegible] who operate the TV [illegible] have no concept of how [illegible] cents make a dollar."

When their chief executive [illegible] such circumstances [illegible] political appointee, the [illegible] any state corporation [illegible] placed in an invidious [illegible].

The system is [illegible] susceptible to political [illegible] fluences without [illegible] weakening of direct [illegible] general responsibilities.

Accountability, in any [illegible] is being weakened. The [illegible] plan meant that each [illegible] poration — Radio NZ, TV1 [illegible] TV2 — reported to Parliament. Thus the public could [illegible] each was performing.

Now there is only [illegible] The finances are [illegible] together and comparing performances are difficult to assess.

One effect of the [illegible] obscuring is that we cannot [illegible] who might be [illegible] spending what — and [illegible] cannot judge the [illegible] justification for the [illegible] overhaul.

NEXT WEEK: Bob [illegible] looks at why the Cross [illegible] likely to fail.

National stalls paying for broadcast success

by Bob Edlin

THE real measure of broadcasting's success should be its quality of programming and its range of services.

The National Government endorses this notion, but seems curiously reluctant to pay the price of implementing it.

It has stalled on an application to increase licence fees. And its cost-pruning demands have resulted already in cuts in programming hours, cuts in sports coverage, and the scrapping of sponsorships.

Further reductions in services are on the cards. Chairman Ian Cross has said that if an increase in fees was not granted, the corporation would have to consider other options (but not the scrapping of TV2). They were cuts in the YC and YA radio networks; retrenchment of local drama productions on both radio and television; a news service only six days a week; dropping some satellite sports cover; cutting satellite news services; reducing the local content in programmes.

Prime Minister Muldoon has gone further in wondering about the need for a second channel.

It's a far cry from 1969, when National's election manifesto said the National Government "regards the establishment of a second TV channel as a matter of urgency and the Minister of Broadcasting has already asked the broadcasting authority to undertake an enquiry into the needs of New Zealand for additional television services, including the best way of introducing competitive private enterprise television and colour television, and of ensuring the continued development of the services of the broadcasting corporation."

At the time the Adam Committee was set up in 1973, both political parties had accepted the recommendation of the Broadcasting Authority in 1971 that television services should be converted for colour transmission by October 31, 1973. The costs were known to be heavy.

And both parties had agreed that a second channel, also in colour, should be established. Again, they knew the costs would be heavy.

The Adam Committee anticipated financial problems in the early years.

Its report said the commitment to colour and a second channel required upgraded transmission facilities for both channels, estimated by the NZBC to involve a capital programme of more than $24 million even for its limited version of a two-channel system with very restricted hours for the second channel.

"So it is plain that far more capital will be required than the existing system was yielding — without so much as considering the additional needs of radio," said the report.

"Eventually the two television channels, when converted to colour and completed, will begin to earn handsomely. But in any event, there was and is bound to be an awkward capital gap for between three and five years. Therefore it will be essential for the council to produce a phased development programme which sets a share of resources aside for radio and then focuses investment on the transmission networks and the establishment of TV2."

The scheme was never given a chance to prove itself. It was implemented under Labour in 1975 only to be overhauled by National in 1976.

But National's commitment to second-channel coverage was enshrined in the legislation it passed.

Among the corporation's statutory responsibilities are to carry on public broadcasting services, and to develop, extend, and improve those services in the public interest; and in particular —

"To ensure that Radio New Zealand provides a radio broadcasting service as far as practicable for the whole of New Zealand;

"To ensure that TV1 and TV2 each provides a television broadcasting service as far as practicable for the whole of New Zealand."

That legislation also made money matters a Ministerial responsibility.

Each year the corporation has been obliged to submit to the Minister for his approval a programme of capital works proposed to be undertaken by the corporation during that financial year.

TV2 now reaches about 90 per cent of the viewing public.

Broadcasting Minister Hugh Templeton said on March 15 that early indications pointed to a loss of around $25 million over three years in the cost of developing TV2's complete coverage of New Zealand.

But the meaning of "practicable" was brought into question when chairman Cross applied for a licence fee increase.

The application prompted Templeton's promise of a thorough review of broadcasting finances. But he didn't envisage drastic change.

"I believe that television's financial problems can be tidied up quite well, and that South Pacific will gradually come up to parity with TV1," he said.

Muldoon obviously disagreed.

On March 13, he said in his Truth column that as costs inevitably increased, there were only a few options available if broadcasting was to remain financially sound.

"We can have more advertising nights, we can increase licence fees, or we can cut the services.

"One option which comes to mind immediately is the possibility of cutting out the second channel entirely."

He appeared unenthusiastic about selling one channel to private enterprise.

". . .the difficulty with this is that private enterprise would be interested in owning television if it covered just the main centres where the population density is high."

By then, Templeton had already approved Cross's plan for a restructuring.

He returned to the fray with the statement he would prefer both television channels to stay under State control. "I feel that, with reasonable care and with the re-organisation, we can complete the TV2 network without too much pain," he said.

But Muldoon's concern is that the radio and television service has not paid for itself.

He ignores the heavy costs of capital development. But Muldoon does have the advantage of being Prime Minister.

Govt dilly dallies over licence fee hike

by Bob Edlin

GOVERNMENT is curiously reluctant to increase broadcasting licence fees.

While it appears undeterred by the implications of lifting the prices of butter, milk, sugar, electricity and so on, it baulks at broadcasting's demands for a financial fillip.

The radio licence in 1970 was $3 — the same as it was in 1925.

Now it's Ian Cross's turn to wait patiently while the Prime Minister questions the prudence of current spending when it results in TV programmes that displease him.

Licence fee levels critically affect broadcasting's book-balancing act.

They produce some $28 million in revenue. This once comprised half the total income of broadcasting. Now, it brings in only a third.

Cross put proposals for an increase in licence fees to the Government before Christmas.

There has been no increase for four years.

But the de facto Minister of Broadcasting, Rob Muldoon, has often sounded the sort of noises that suggest Cross has an uphill task.

In August 1977 — responding to Cross's observation that New Zealand had to be prepared to pay more for television in order to cure broadcasting's economic ills — Muldoon said: "I don't think anyone would like to see an increase in fees."

But he hinted he would prefer shorter hours or more commercials.

Since then, Muldoon has had fresh thoughts. He has suggested scrapping a channel as one option open to the Government.

"Which then, would the public sooner have: An increase in licence fees with two channels, or no increase and maybe even a reduction with one?" he asked readers of his Truth column.

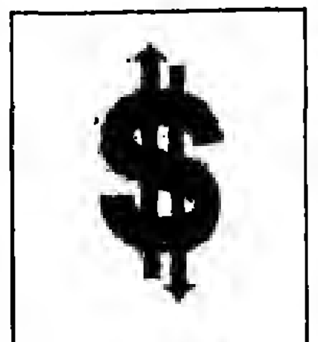
And Hugh Templeton, the nominal Minister of Broadcasting, although resigned to a $10 increase, to give Cross the $25 million extra he needs over the next three years, knows very well Caucus has other options it could easily opt for.

"Cuts have already been mentioned. There is the possibility of modest borrowing at going rates of interest for development.

"We may have to consider shifting important costs like that of the New Zealand Symphony Orchestra from the broadcasting account."

Muldoon chomps, lashes and blasts the hands that feed him

Economics Correspondent



THE ECONOMY

MULDOON announced loans with the Japanese and the Dutch last month. Then he promptly lashed out at both countries for being unfaithful to New Zealand's economic interests.

In mid-March, the Government raised a loan of $95 million from a Dutch bank. Near the end of the month, New Zealand signed up for a $230 million loan with Japan. The magnitude of this loan places Japan as one of New Zealand's top sources of funds.

The week that the Prime Minister announced the Japanese loan, he blasted the Dutch and the Japanese, as well as the French in a speech to the Ashburton Chamber of Commerce. He singled out Holland, "once one of our best friends" for supporting the Dutch dairy farmer in the EEC and not giving more vigorous support to New Zealand attempts to maintain a foothold in Europe. Muldoon lashed out at the Japanese for refusing to import more New Zealand produce, gleefully noting that

ROB MULDOON . . . gambles on exchange relationship.

the Government was punishing them by buying $30 million worth of railway carriages from Hungary instead of Japan because the Hungarians would take an equivalent amount of our products.

But if Holland and Japan are so nasty to us, why does Muldoon borrow money from them?

Also, why is he willing to pay them such high interest rates? As Chart A records, the loan negotiated with the Dutch carries an interest rate of 8⅓ per cent and the Japanese loan carries an interest rate of 7 1/3 per cent. Loans negotiated earlier this year with Swiss banks carried interest rates of around 3½ per cent and two loans negotiated with the Germans carried interest rates of around 6 per cent.

Muldoon is gambling that the exchange relationship between New Zealand dollars, guilders and yen will remain relatively stable during the period of the loans. The Government has been burned recently by borrowing in strong currencies like the franc and the mark. While the interest rates for these currencies have been comparatively low, the interest repayments have become increasingly large as the currencies have appreciated in terms of the New Zealand dollar.

To a certain extent, interest rates on international borrowing reflect the relative strengths of the various currencies. As a currency weakens, the interest rates charged by lending institutions for international borrowing are likely to increase. International lenders want to be able to offer competitive rates of interest while at the same time trying to insure against any future depreciation of the loan currency.

Governments want to borrow in relatively stable currencies since the term of loans is often long and speculation would be risky. Generally, those countries with stable economies can be expected to have relatively stable currencies.

Of course, there will always be some risk for the borrowing country. The currency of a stable economy could appreciate in terms of the borrowing country. Governments usually attempt to avoid some of the exchange risk by borrowing in several different currencies.

The New Zealand Government has learned this lesson the hard way. In the 1950s, Britain was the source of all of New Zealand's borrowings. This changed when the British began having serious economic difficulties and New Zealand turned to the United States for loans. When the United States went off the gold standard and the dollar became less predictable, New Zealand finally started to expand its borrowing portfolio.

In the late 1960s, New Zealand started borrowing from Germany because of its strengthening economic position and in the early 1970s, the Swiss became another loan source. Last year the New Zealand dollar took a real hammering against both of these currencies as they adjusted to a weakening American dollar. In the 12 months to November 1978, the New Zealand dollar suffered a 15 per cent devaluation against the mark. In the same period, the dollar depreciated nearly 27 per cent against the Swiss franc.

Recent relative calm in international currency markets has seen the New Zealand dollar enjoy comparative stability in the last month as Chart B shows.

In the last six months the New Zealand dollar, in line with the United States dollar, has gained strongly in terms of the Japanese yen. The yen has been falling in value because of oil price increases. Japan is heavily dependent on imported fuel and is regarded by some as the most vulnerable of all major powers.

Chart C illustrates why it is in New Zealand's interest to borrow from the Japanese at the present time. If a loan with an interest repayment of 10,000 yen had been taken out in September 1978, it would have cost us $50.50 to pay the interest in September. In March, it would have cost us only $46 to pay the Japanese their 10,000 yen. In taking out a loan with the Japanese, the Government is gambling that this favourable situation will continue. If the New Zealand dollar were to appreciate by over 8 per cent per year against the Japanese yen, the size of our capital repayment will also decrease. In the end we could end up with virtually an interest free loan from the Japanese.

The Prime Minister would do well to remember this next time he analyses the New Zealand-Japan trade relationship. We do import more than we export from Japan (in 1977, about 13 per cent of our exports went to Japan while nearly 15 per cent of our imports came from this country), but with the balance of payments showing signs of worsening, we should be grateful for low cost loans to borrow for financing the deficit.

Borrowing in Dutch guilders is more risky then borrowing in yen. In recent months Dutch guilders have been regarded as less strong than many of the other European currencies. But the New Zealand dollar has depreciated slightly more in terms of Dutch guilders over the past six months then it did over the last year.

The Government is banking on the New Zealand dollars becoming stronger in relationship to the Dutch currency over the period of the loan. The Government is also borrowing from the Dutch to spread itself into more of the world's capital markets just in case it becomes necessary to borrow larger amounts later.

The Government's decision to borrow from the Dutch benefits us as much as it does them. When the Dutch banks loan to New Zealand, they are doing what they can for the economy. It is too much to expect that the Dutch Government should also argue against the interests of its dairy farmers (and in favour of ours) in the EEC.

To repeat a now familiar phrase — it is high noon for Muldoon. Because he has failed to take measures to stabilise the economy, the balance of payments deficit is expected to worsen later this year. It is time he stopped blaming others for what is largely his own problem.

His sensible plan to spread his borrowing portfolio into weakening, rather than strengthening currencies is one sign that he knows this himself.

CHART A: LOANS RAISED BY GOVERNMENT SINCE ELECTION

MONTH	AMOUNT	CURRENCY	INTEREST
December 1978	$102 million	German marks	6½ per cent
January 1979	$68 million	Swiss francs	3½ per cent
January 1979	$113 million	Swiss francs	3½ per cent
January 1979	$51 million	German marks	6 per cent
March 1979	$95 million	Dutch guilders	8-⅓ per cent
March 1979	$230 million	Japanese yen	7⅓ per cent
TOTAL	$659 million		

CHART B: PERCENTAGE MOVEMENTS OF VARIOUS CURRENCIES AGAINST NZ DOLLAR

	Over 12 months March to March	Over 6 months Sept to March	Feb. 22 to March 22
US Dollars	+10.3	-0.9	little change
Sterling	-4.1	-3.7	-1.6
West German (DM)	-6.3	-5.5	little change
Yen	-7.7	+8.9	+2.4
Aust Dollars	+4.7	+2.3	+0.6
Swiss Franc	-10.4	+10.0	+0.9
Dutch Guilder	-5.4	-6.4	little change

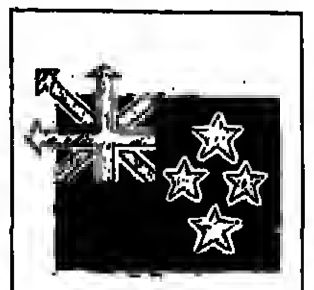
The minus sign indicates the currency has appreciated against the NZ dollar, that is, the NZ dollar can purchase decreasing amounts of the foreign currency.

CHART C: PAYING INTEREST TO JAPANESE LENDERS

IN SEPT. 1978	IN MARCH 1979
NZ$100 would buy 19,800 yen	NZ$100 would buy 21,600 yen
To pay interest of 10,000 yen NZ would pay $50.50	To pay interest of 10,000 yen NZ would pay $46

Shipping rate slasher seeks conference membership

by Warren Berrymen



OVERSEAS TRADE

ABC CONTAINERLINE, the Belgian bane of the shipping cartels, has applied to join the two conferences serving the Australia-United States trade.

ABC's owner, shipping magnate Tavi Rosenfeld, is known as the Freddie Laker of the seaways, because of his non-conference stance and rate cutting.

The line will enter the New Zealand trade late this year. ABC's New Zealand agent, Pacific Maritima, a joint venture between Maritime Carriers and Mogel Corporation, has been talking to exporters about shipping at rates 15 per cent less than those charged by conference carriers.

The prospect of these cut rates are now in doubt. According to the Australian Financial Review, the reason ABC decided to join the conferences was that, "Tsvi Rosenfeld's father, Aaron Rosenfeld, is agent in Haifa and Tel Aviv for American flag Farrell Lines — large business that Rosenfeld senior does not want to lose.

"ABC certainly could not undercut conference rates on routes traded by Farrell without provoking a reaction from Farrell, which is America's second largest shipowner and a friend of the United States Government."

Farrell Lines' New Zealand agent is Dalgety. Farrell is a kingpin in the conference covering the New Zealand-United States trade, along with Columbus and Ace.

Preliminary negotiations have already taken place between ABC and conference members here.

ABC has been putting all its marketing emphasis into the Australia-New Zealand-United Kingdom-Europe service, but neglected the possibility of attracting cargoes to the United States. ABC's ships stop in the USA on their way to Europe, but Rosenfeld is not going after United States cargoes for fear of upsetting Farrell Lines.

It is now understood that ABC would like to join the conference serving the New Zealand-USA trade. A final decision might not be made until Rosenfeld visits this country in May.

It is unlikely that ABC would be invited to join the conference covering the New Zealand-European trade, as this is tied up by an arrangement between the conference and the producer boards, and is said to be overtonnaged.

Exporters had high hopes that ABC would introduce rate cutting competition into New Zealand shipping. Unlike other carriers who challenged the conferences with low rates and then either faded away or joined the conferences themselves, ABC is a company of some substance.

Rosenfeld also owns Antwerp Bulk Carriers, an old established line with a fleet of 15 ships ranging from 30,000 to 65,000 tonnes.

The new ABC Containerline service was based on a $300 million 15-year contract to carry mineral sands from West Australia to the United States Gulf. The four, 43,000 tonne ships now on this run, were specially designed to carry bulk cargo plus, 1200 20 foot containers.

ABC's ships were built in Belgium and financed 70 per cent by the Belgian Government.

With this solid asset backing and Government support, ABC was seen to be in a strong position to challenge the conferences.

The guaranteed bulk cargo of mineral sands meant the company would not have to rely on Australian and New Zealand producer board cargo for bulk. Instead, it could cream off the high freight rate cargoes of manufactured goods from both countries, at below conference rates.

ABC pulled off an unprecedented coup shortly after arriving in Australia, by securing a 1200 container cargo from the Australian Wool Corporation, breaking the conference's long-standing hold on the trade there.

ABC's rush into the arms of the conferences will dint Rosenfeld's maverick image.

Rosenfeld offered freight rates 30 per cent less than conference rates when he began his Australian service last September — and evoked a storm of protest from conference carriers who pressured their customers to desist shipping with ABC.

ABC's New Zealand service is expected to start late this year when the company launches two new ships to join the four already in service. The service will be monthly with guaranteed transit times.

As it stands at present, it looks as though ABC will be in bed with the conferences on some routes, and a bitter non-conference rival on others.

Williams profile: take profit out of drug deals

by Helen Vause

WHEN criminsl lawyer Peter Williams took the surprising step of calling for a drug trial jury to ba polled, the ramificstions of his mova sprssd fsr beyond tba Wellington Supreme Court where tha particular casa was being heard.

The Minister of Justica Jim McLay called for a report on the pollog and the former president of the Court of Appeal Sir Alexander Turner published sn editorial on the subject. The Williams' precedeot sparked off widespread discussion on the polling issue and our jury system.

Bsck in Auckland, Williams is still somewhat surprised at the ripples he caused. At the time, he says he was solely concerned with the case at hand but it wasn't tha first time he's felt a jury verdict may not have been unanimous.

Neither wss the move e precedent.

Patar Williams had unsuccessfully called for e jury poll in Hamilton some years ago.

In the midst of legal debata on tha subject, he's adamant his move should not be a oncar.

"Regardless of what anyona says, if I think the circumstances ara appropriata I will apply for a poll. If a trial lawyer expresses to the judge that two or threa of the jury seem to indicate thst they disagree with the announced verdict, the judga must take cognisance of that and the poll is the only answer.

"I can not see how polls can ever be eradicated. If there is uncertainty of the demeanour of the jury as to whether they concur, surely asking tham to put their hand up is littla to ask.

"The only time polling juries can be opposed when findings of guilt have been announced by a foreman, is when a prosecutor is afraid thet if a poll is taken it will be revealed that a jury is in fact not unanimous," Williams sald.

His peers in Auckland's courla hsve rescted favourably to the polling says Williams. But perhaps mora importantly he has bean directly approached by at least 10 ex-jurors ". . . without exception these people have agreed with the need for a polling procedure, aod in a surprising number of cases have told me that tha decision would have been different on their cases if polls had been beld. This leads me to think that in many cases in the past we in fact have had msjority verdicts in New Zealand."

Williams, 44, is a familiar figure in Auckland's Courts after more than 20 yesrs of predominantly practising in criminal law. His clients tend to be those facing serious criminal charges and by his own admission he is one of the most experienced drug defence counsals in New Zealand.

When he loses a case the prison door clangs shut on his client for a very long time. There is a lot to be lost. Williams always has a lot to fight for and perhaps this is what has led him to reflect more deeply on the system than many of his peers.

NBR: What do you think is wrong with the jury system?

Williams: "Tha jury system should provida a true cross-section of the populstion and also should mirror the current mores of our peopla. Whst is hsppening at present, is the lower and top stratas ara being cut off the jury rolls. Firstly, by statutory censure and secondly, by Polica censura under the guisa that these peopla are not of good repute which is s very nebulous concept. The upper strsta is also virtually cut off becsuse so many peopla in thst strata are in professions thst are exempt from jury service which means instead of getting a reprasentstive group on our jurias, we are getting very much the bourgeois middle class.

NBR: You also believe that jurors can feel intimidated?

Williams: "Definitaly."

NBR: Isn't this an inherent fault in the jury system which we have to live with?

Williams: "That is true but your question merely emphasises the need for an antidote."

An ardent civil libertarian he is generslly concerned with prevailing values and the moral premises on which our criminal lsw is based.

"Take for example our attitude towards drugs. We accept too quickly the premise that if drug dealers are very severely punished, the drug problem will be reduced generally in the community, whereas a more csreful consideration of this premise results in quite different answers to tho problem," Williams said.

"For example, there is a strong argument thst drug addicts should be encouraged to register and that supplies of narcotics should ba given to them by authorised doctors, either at nominal prices or at reasonabla prices. This would mean that there would be no profit to be made in pushing drugs.

"As soon as you take the profit motive away from pushing drugs you almost certainly will substantially reduca the number of pushers. This has been clearly proved in England and further the final report of the Joint Committea on New York Drug Law Evaluation clearly demonstrates that the savereat of penalties in fact do not curtail drug pushing.

"Tha prasent system, which encourages profits, also indirectly encourages criminal activity by those addicts who desperately require money to buy their supplies. The arguments in favour of reducing the profit in narcotic dealing, encoursging the users to register and the decriminalisation of marijuana are sbsolutely overwhelming and compelling".

In his more recent yesrs in the courtrooms, Williams has seen the drug problem mushroom, penalties toughened snd scores of young New Zealanders go to prison.

"We have an inordinate number of people, including a lot of excellent young people spending in total, hundreds of years, locked up in our prisons. Not only is this not benefiting them, but it is not helping society."

Apart from drug penalties he believes New Zealand suffers from what he calls 'Lock-up-itis'.

"I heard a judge once speak on what basie he used for psasing sentences on prisoners, and he aaid that the main basis was to pass the type of aentence that the community expected to be passed. To my mind the community vote, is far too gross a thing. It is the lowest common denominator and not particularly articulate.

"I am sure that New Zealand's very high ratio of paople in prisona is not supressing crime and is extremely deleterious to many completely innocent people — wives, children, parents, etc."

NBR: Why do you think New Zeland has not followed the more liberal examples of the criminal systems in countries like Holland and Sweden?

Williams: "I think our penal policies are largely dominated by the viewa of senior policemen which receive wide dissemination becauae of the msrriage in this country between the police force and the press. The press derives a large amount of ita source msterial from the police and the police reciprocally are able to use the press to continuously spread their views on crime and ancillary matters."

NBR: Do you think the Law Society ahould become mora of o pressure group?

Williams: "The Law Society has traditionally been a conservative group and its committees make an enormous contribution towards legislation generally but it has always been somewhat slow in criticising police activity or police views. It is not a fashionable thing to criticise the police."

Iran team could redden faces

by John Draper

AYATOLLAH Khomeini's Islamic inspection team could cause meat exporters considerable embsrrassment when it arrives after Esster.

Irsn, New Zealand's second largest customer for lamb before the Shah was toppled, is short of meat.

But New Zealand cold atores are almost bare and if a big order follows the delegation's visit, then the export works are going to find it difficult to supply.

Last yesr the Ironian Meal Organisstion bought 27,000 tonnes from New Zealand and the Mest Boord is determined not to lose a good customer. Buord spokesman, John Cornwell said: "It might mean diverting supplias from Britain but Iran is s good morket and one which wa have high hopes for."

Graece, Italy, Iraq and other European markets ara absorbing mosl of tha lamb taken in past years by Iran. And some sources expect there will be only 8000 to 10,000 tonnes of lamb laft for Iran and other buyers who hava nol yet placed orders.

Tha strong demand and a drop of 18,000 tonnes in lamb production has cushioned tbe trade against tha Iranian loss.

It is still not certaio tha Iranians will buy this season. But New Zealend and Australia ara the only two countries which could supply lamb in the quantities needed.

Ayatollah Khomeini's strict Islamic regime now eaams to hava overcome its initial dislike of frozen lamb. Cold store stocks from last season hava recenily been released raising mest exporters hopes. The delegation's maio purpose is to inspect freezing works and killing methods to ensure tbey conform to Muslim standards.

On another front, protesting Mexican farmers have temporarily dashed Meat Board hopes of a combined beef and lamb deal with Mexico, but tha board expects them back.

The American beef boom, however, has offered relief with the consequential demand for mutton virtually accounting for tha season's kill already.

NBR BUSINESS WEEK

State aims to tighten private sector credit

by Peter V O'Brien

THE Government's statement last week on tighter private sector credit contained intriguing passages, even for our revered Prime Minister and Minister of Finance.

The new "guideline" for expansion of private sector in 1978-80 has been set at between 8 and 12 per cent. Last year the guideline was between 10 and 15 per cent, a target which was about half the out-turn now expected for the 12 months to March 31, 1978.

Issuing a warning to financial intermediaries, Muldoon left the impression that they were responsible for the rapid expansion in private sector credit, which rose 27.3 per cent in the year to February. Such an increase has dangers for the balance of payments and inflation if it continues.

But Muldoon had little to say about a major cause of the expansion. The Government's budgetary deficit pumped money into the economy, increasing the monetary base, which in turn eventually flows through to private sector credit expansion.

In NBR of April 4, I examined a paper included in the latest Quarterly Predictions of the Institute of Economic Research. Indicators of the Impact of the Budget, by institute staffers, R A Buckle and S L Snively, shows that a high budget deficit results in a substantial increase in the monetary base. After a time lag of about nine months, increases in the monetary base flow on to increases in private sector credit. Although the budget deficit is not the only element in movements in the monetary base, it has a sizeable influence.

The paper summarised the likely position for 1979:

"The outcome of the large increase in the monetary base throughout most of 1978 will be a continuation of the high rate of growth in the money supply and in domestic credit in the first half of 1978. The annual growth rate of private sector credit is currently over 20 per cent. A contributing factor to this is the stimulatory effects of the increasing budget deficit on the demand for credit. Because of the time lags involved, we expect that the slower growth in the monetary base as from early 1979 will not be reflected in a significant decline in the growth of private sector credit until late this year."

The Government put money into the system, and then attempted to take some back by a variety of measures, of which the New Zealand Savings Stock was the most noticeable. After allowance for Government funding from the private sector and overseas borrowing, the rest of the deficit spills over to an increase in credit from the private sector. That happens, and will continue to happen, irrespective of the Prime Minister's wishes. Either you cut the deficit, or you increase its financing from the private sector if you want to keep credit expansion within specific limits. The alternative to strategies like the Savings Stock is an increase in Government securities' ratios on financial institutions, but that is an easy way out.

The Government is apparently working towards that solution if the 1978-80 guideline is breached. If it does adopt a new asset ratio policy, it might make the effects more sophisticated than has been the case in the past. Some institutions have kept their credit movements within the existing guideline, while others have gone well beyond it.

There is overseas precedent for discriminatory ratios on specific institutions which go over the limit. These institutions can be given a penal ratio above the level set for the particular financial sector.

The latest Government statement is another example of what happens when the private sector assesses Government policy and acts on the assessment. Anyone who examined the economy from the middle of last year, particularly after the budget, knew that there would be a solid increase in private sector credit above the guideline of 10 to 15 per cent. They also knew that monetary policy would be tightened in the first two months of 1979. When credit expansion went past 20 per cent for the year to November 1978, they could see that further action would be necessary in 1979. The January policy changes were insufficient to cut back the growth rate to any marked extent in the March year. All those points were discussed and analysed regularly in many places, including NBR. The economists referred to earlier produced a sophisticated analysis in Quarterly Predictions.

Whatever prompted the latest statement, it is another example of moving when the trend has become entrenched.

The reference to "direct competition for funds" in last week's statement means that the Government will act in the marketplace again, as well as using asset ratios. Since the bulk of money invested in institutions, particularly finance companies is in the one to three years range, it seems logical that the main thrust of Government borrowing will also be in that range, possibly at the same, or slightly higher interest rates than were used on other occasions. In the five to ten year bracket, lenders are unwilling to invest, unless they receive a solid increase in the rate. Given that situation, it could be appropriate for the Government to leave its longer term rates unchanged, and move strongly in the short end of the market, again up to terms of three years.

The Government has several options, but it has to exercise them now because last year it "stimulated", and then failed to take appropriate action other than to stop its "stimulation" reaching a shaking fit.

Freezing workers face long hard winter

by John Draper

A LONG hard winter is the outlook for freezing workers after a virtually trouble free killing season.

Already hundreds are joining the dole queues weeks earlier than usual or are working short time.

A 1.2 million drop in the lamb kill, 500,000 missing cattle and an early start to the sheep kill have forced the early lay offs.

A forecast 8 per cent drop in lambing percentages now appears to have nearly doubled with Canterbury and the Wairarapa particularly hard hit, dropping the estimated total to 23.8 million.

Normally, the mutton kill would be peaking now, but the works put most sheep through early in the season and only another 800,000 are needed to bring the tally to the anticipated five million.

Somewhere, out in the back blocks, there are 500,000 head of cattle being withheld. The Meat Exporting Council estimated a 1.5 million cattle kill for this season. Barely a million have been presented.

Good prospects for all meat exports until 1981 and a surplus of feed is thought to be encouraging many farmers to hold stock back. Some are expecting a late rush after the first frosts bring grass growth to a halt.

Exports, after a gloomy start, are picking up rapidly absorbing carcasses leaving coldstores bare. One company which has not laid off coldstore workers for the last years may be forced to do so later this year.

Russia's intervention in the mutton market after beef prices rocketed sent prices soaring to $2.25 a kilo for the latest purchase of 30,000 tonnes. Japan, New Zealand's regular mutton customer has had to increase its offer accordingly.

Korea's order for 8000 tonnes is also helping to firm a strengthening market.

Farmers are not yet reaping the benefits of rising prices except for beef. Lamb and mutton killing schedules are up a few cents on last year but are still feeling the effects of a near disastrous start to the season.

Striking British truck drivers forced lamb prices to tumble forcing the Meat Board to put 10,000 tonnes in "Storage Under Board Control" to stop the slide. Prices are "turning the corner" at field.

Analysing annual accounts

by Peter V O'Brien

IVON Watkins-Dow Ltd had a tough time in the year ended December 31, 1978, but the company's shareholders have received an excellent annual report. Since the Dow Chemical Co of the United States is the majority shareholder in IWD through an overseas holding company, the report is presented with the type of information normal in the documents of American corporations.

It has several lessons for New Zealand companies, particularly those who cry about the "competition" as a justification for withholding information from the shareholders.

IWD's accounts contain a detailed statement of source and application of funds and changes in working capital, a sales breakdown by divisions, information on expenses, a detailed analysis of taxation including various allowances and incentives, and other data which allows readers to assess the company's financial position.

The ongoing debate about overlapping directorships in companies receives attention, with a statement of "related party transactions", which covers "directorships and other executive posts held by directors and alternate directors of Ivon Watkins-Dow Ltd and the senior officers". The related party transactions statement includes figures on purchases from Dow Chemical Co and its subsidiaries, and transactions with "other outside companies with which directors and listed officers serve as board members or executives". The information allows shareholders to see any potential conflicts of interest which might influence people associated with the company when they make decisions affecting group activities. IWD spent $15.45 million on raw materials and containers in 1978, so, apart from the amount bought from Dow Chemical (logical for the subsidiary of a world leader in its field) the directors' other interests had little influence on the group's buying programme, (about $600,000).

But the information is in the report, and therefore overcomes any suspicion which might arise about cosy relationships between various companies, particularly when an international giant is involved in the local company.

The directors also produced textual statements regarding changes in working capital, explaining briefly the main movements in various items in current liabilities and current assets. This is information which is regularly omitted from the reports of New Zealand public companies, either through oversight, some idea that the shareholders and other "publics" are not interested in the data, or that it is no business of the reader. The Americans take a different view of these things, although there was a day when United States corporations were just as bad as New Zealand organisations in their presentation of information.

An analysis of sales figures shows that IWD earned 8.2 per cent of total revenue from industrial chemicals (8.2 per cent in 1977), 22 per cent from plastics (20.8 per cent), and 88.7 per cent from agricultural, animal health and speciality (70.8 per cent). The small difference between these figures and 100 per cent is due to rounding. A difficult first half in rural business affected sales figures for that division, but there was a substantial improvement in the second six months.

Total sales were $27.7 million, up 1.8 per cent from the $27.3 million recorded in 1977. The cost of sales was $18.2 million, compared with $18 million in the previous year.

Although pre-tax profit was $180,000 higher at $3,158,554, an increase of about $500,000 in tax provision reduced net profit from $2,097,581 in 1977 to $1,768,360.

The directors give a full explanation of the changes in taxation, including the effects of movements in allowances and incentives. The loss of a sizeable export market in Indonesia lopped $167,000 off export incentives, while the removal of the stock allowance wiped out the 1977 deduction of $188,900. A lower level of capital investment reduced regional investment allowances from $110,340 to $48,281. The taxation statement also includes a breakdown of deferred tax.

This information is rarely produced in the accounts of local companies, raising the obvious question why New Zealand owned companies find it necessary to keep the facts from their shareholders.

Apart from the requirements of United States law, particularly the Securities and Exchange Commission, American companies have long recognised that an annual report is more than a statement of unexplained bare financial statistics. The various "publics" mentioned earlier have a lot to do with the level of disclosure. A company's annual report is the major public statement of the organisation's business in a given year. Therefore it is relevant to suppliers, customers, staff, shareholders, potential shareholders, people concerned with economic trends and the general activities of business, administrators, both local body and central government, creditors (the bank is always interested in its clients' affairs), and various pressure groups.

The law requires an annual report to shareholders, but when viewed in the light of the other "publics", the document is also a summary of corporate activity and philosophy and a public relations effort, although the latter can be overdone.

IWD has not overdone that aspect, but has produced a report which covers all the other requirements.

Chilled lamb sales put icing on meat exports

by John Draper

CHILLED lamb sales are putting the icing on meat exports to the United Kingdom, Canada and Hawaii.

Devco, the marketing arm of the Meat Export Development Company, is earning $250,000 a year from chilled lamb in North America and Borthwicks are on the verge of a major breakthrough in the United Kingdom.

Borthwicks, through its British parent, is linking up with St Michael, Marks and Spencer's symbol of quality. The world famous retail chain is at present selling a trial shipment and, if successful, Borthwicks expect to double chilled exports next season.

Borthwicks product manager Wayne Geary insists exports are still at the experimental stage even after trials over five years. "We overcame the technical problems very quickly," he said. But the company has not, until now, found a suitable outlet for its "Rolls Royce" product.

Chilled lamb arrives in the United Kingdom five weeks after killing, thanks to very close co-operation between the company and ACT shipping line, and has a shelf life of up to three weeks. Cutting is done in Britain according to Marks and Spencer's daily requirements.

Devco, which has a monopoly on North American sales, is refusing to follow the Australians in exporting chilled meat to mainland USA. But it is sending regular orders by airfreight to Canada and Hawaii.

Devco's general manager Peter Wakelin says chilled meat exports make a useful contribution to the company's sales.

"A lot of people in Canada and Hawaii do not trust frozen meat. But having eaten our chilled lamb they gain confidence and try the frozen product," he said.

Chilled lamb is not popular with freezing workers. Packing is much slower and controls more critical. The product must be kept at minus one degree celsius at all times.

Vacuum packing, used by Borthwicks ensures a long shelf life, but adds to the expense. Even so, Devco estimates it can earn at least 88 cents a kilo premium over frozen lamb.

Air freight is too expensive for the European market though viable for North America.

Transfers are the biggest headache, with containers getting lost or loaded to the wrong destinations. A few hours at normal temperature and the consignment is lost.

Japan is also a growing customer for chilled meat and, in the longer term, the Middle East and Europe will be potentially lucrative markets.

But chilled exports will never be more than the icing on meat exports, the short killing season and transport constraints ensuring the frozen product remains dominant.

Both companies are facing a similar problem, convincing customers the product is only chilled and not frozen meat thawed out. Canadian authorities only recently relaxed restrictions on chilled meat imports.

Exchange rates

As at April 5, 1979
$1NZ is worth:

Australia	.9439	Malaysia	2.3057
Britain	.5069	Netherlands	2.1138
Canada	1.2080	New Caledonia & Tahiti	81.77
Fiji	.8707	Norway	5.3175
Japan	224.09	Pakistan	10.24
West Germany	1.9638	Papua-New Guinea	on application
USA	1.0473	Portugal	50.42
Austria	14.37	Singapore	2.2976
Belgium	31.02	South Africa	.8826
China	1.6255	Spain	70.85
Denmark	5.4496	Sri Lanka	on application
France	4.5052	Sweden	4.5565
Greece	38.10	Switzerland	1.7760
Hong Kong	5.2428	Western Samoa	.7524
India	8.3686		
Italy	876.39		

Selling rates supplied by CBA Bank.

Board calls for new cure to farmers' ailments

by Peter V O'Brien

A DOCTOR would not continue to prescribe the same pill if the patient was failing to respond, according to a recent comment by the Meat and Wool Boards' Economic Service director, Neil Taylor. His remarks are included in an address Production Possibilities in New Zealand Meat and Wool Farming to the electoral committee on March 28. The address has received little publicity outside specialised areas.

Taylor says "in the short run it is suggested that farmers who still have potential to lift stock performance should look at this first as the most economical way of lifting total output before embarking on an often costly programme involving further increases in stock rates. But farmers can only do so much. Beyond that it is the economic environment generally within which the farming sector has to operate which is important".

Pointing out that the Government, through many and varied forms of assistance, has attempted to alleviate some of the harmful effects of the imbalance which has existed in the New Zealand economy in recent years, he goes on to say that the results, in terms of output increases, show clearly that these measures have been insufficient.

"It is, then, in the interests of both the farmer and the nation that the 'restructuring' now being called for in the economy, be at least initiated in a meaningful way. The farming industry as an efficient net exporter has, I believe, much to gain from this move towards a more rational allocation of resources within the economy".

In Taylor's view there is still the physical potential to lift output significantly from many farms. "There is the skill, the management capacity and the drive within the industry to exploit this." But he considers an adequate incentive is required in terms of reward for the extra effort involved.

Given the incentive, growth in output will again be forthcoming from New Zealand's traditional products, those which it is best at producing, meat and wool.

While these statements may seem another call from vested interests for a further shift of resources to the farm sector, Taylor backs up his arguments with an analysis of present farm performance, and prospects for further production increases.

He examines the cost-price squeeze, particularly the impact of on-farm costs and costs from farm gate to market, after noting that market prices in recent years for most products have been "reasonably satisfactory".

"Farmers in a cost-price squeeze situation as outlined, face several alternatives".

They can increase the land holding area, although that may not necessarily lead to increased total production, in spite of maintaining or increasing per farmer net incomes. They could adopt an income maintenance strategy by reducing costs to maintain the margin between gross income and expenditure, but in the "medium to long term this will have an adverse effect on total output".

Thirdly, if farmers have investment opportunities and believe increased output will be profitable, "they may attempt to expand output and reduce overhead costs per unit".

Taylor examines whether increased output is generated through higher numbers of stock, or higher stock performance from existing numbers, or a combination of both. His conclusion on this matter is that "unfortunately there is a tendency among farming commentators, politicians and policy-makers to place emphasis on stock numbers alone. What is important from the national viewpoint is total production (regardless of whether this is through higher numbers or higher per head performance), and from the individual farmer's viewpoint the associated farm income level. Increasing stock numbers nationally, if associated with lower stock performance, will do nothing for total agricultural production or indeed farmers' incomes."

Analysing stock performance and profitability on North Island hill country farms leads to the conclusion that stock performance in a group of like farms "has the dominant influence on overall farm profitability". In addition, "only when the high stocking rate (and high cost) system of livestock farming achieves high performance as well, does it appear to be profitable".

Management techniques designed to improve stock performance provide an opportunity for both the nation and the farmer to enjoy economic gains in production.

Taylor concludes that priority should be given to encouraging the implementation of any management technique or technical change which might lead to an improvement in the national stock performance. "The payoff is likely to be high".

Taylor's argument is an expression in agriculture of views which have been expressed to policy makers for some time in relation to industrial development and resource shifts in the secondary sector. His views could be changed to read "any technical change which might lead to an improvement in national output and productivity performance. The pay-off is likely to be high".

Carpet preference loss

by Warren Berryman

UEB Industries carpets took a minor knock in the marketplace last week with the decision by the Retail Traders' Society to drop UEB as a favoured supplier.

Retail Traders is an incorporated society of 173 companies with 345 independent furnishings outlets.

RTS members buy about $10 million worth of carpet a year. Some of this carpet is bought through RTS or directly by member stores.

Following the decision by RTS on April 1, their preferred suppliers will now be Feltex and Stevens Bremner.

UEB is likely to deal direct with RTS member stores rather than through the RTS.

RTS members stores say UEB was shooting too high in the market. They say that general saturation of the local carpet market resulting from an immense overcapacity in the industry has lead to heavy discounting of carpet prices and meant that the market was very price sensitive.

And according to carpet retailers, consumers are pressed for cash and are looking for the cheaper lines.

Another significant change has occurred in the carpet market with it now becoming a fashion item. Fashions date so stores no longer hold large stocks.

Stevens Bremner, with its Millitron, and Feltex, with its Titan dying machines can produce an infinite variety of designs at the touch of a button.

UEB cannot. UEB's new carpet printer will not go into production until later this year. Feltex will put its first machine dyed carpet on the market later this month.

The big advantage with the jet dyers is that the carpet manufacturer can hold stocks of unprinted carpet and print the latest style at the last minute.

Carpet retailers say Stevens Bremner is edging into UEB's market share.

But this is hard to resolve as spokesmen from all three of the major carpet manufacturers; UEB, Feltex, and Stevens Bremner all claim to have increased their company's market share.

Performance precis

by Peter V O'Brien

Armstrong and Springhall

TOUGH competition in the office equipment field affected Wellington based Armstrong and Springhall in the first half of the current year. The company's net profit fell 56 per cent to $83,640, compared with $192,039 last year.

While the directors say they are hoping for an improvement in the second six months, the group will have to do well to reach last year's figure of $417,870.

The company seems to be the victim of the intense battle going on in the office equipment market. That "industry" is subject to the impact of numerous new products, and probably just as many brands. The level of advertising for products to be used in the country's offices is an indication of the pressure on the available market. In these conditions someone has to lose a market share. While Armstrong and Springhall's sales were about 12 per cent higher than in the corresponding period of the previous year, that is only marginally ahead of the inflation rate for 1978.

In the longer term, the company will have to face the product revolution which is likely to occur when new electronic technology finds its full application in the business machine industry. Given the right products and brands and an early start, the company could have an interesting future, but any mistakes in that area will have an equally depressing effect on profitability. The sharemarket has now pushed the dividend yield out to 12.2 per cent, one of the highest on the Stock Exchange list.

Brierley Investments

THE Wellington group increased net profit 51 per cent in the six months to December 31, but in the absence of detailed figures, it is difficult to assess what is likely to happen in the full year. The company says that it expects a profit of not less than $3.8 million compared with $2.7 million in 1978.

But the nature of Brierley's business suggests that anything could happen in the full 12 months. When the group makes profit forecasts it tends to be cautious, so the final outturn could be even higher than indicated. A passage in the interim report gives a clue to the sort of thing which can happen: "Certain sources of surplus which are not conducive to strict chronological allocation have been apportioned on an annual basis". That could mean anything, but probably relates to the surplus arising from the sales of various investments. The company has been busy in that area this year, both in Australia and New Zealand.

Additional investments have been realised since December 31, and should make further contributions to the final result, although the directors probably had those in mind when making their profit forecast. The market treated the news reasonably well. The shares stood at $2.35 last week.

Haywrights

THE troubled retailer is enjoying the benefits of improved trading in the retail sector of the economy, and had a good profit lift in the six months to January. Profit went from $203,600 in the first six months of 1977 to $459,500, but even that figure was affected by "extraordinary costs incurred in January of six Auckland stores it was decided to sell".

Increased turnover, up 12 per cent, helped profitability. The directors also added that sales were buoyant [illegible] February-March, and at [illegible] higher rate than in the [illegible] months included in the [illegible] report.

Haywrights will eventually be a streamlined organisation after disposing of stores [illegible] various parts of the country but the sharemarket will [illegible] time to give the group a [illegible] rating. Last week the [illegible] were sold at 81 cents, [illegible] cents below par, to give a dividend yield of 11.1 per cent from the 9 cents a share [illegible] last year.

The group's problems stemmed from the [illegible] structure imposed few years ago, which left the company overcapitalised. That problem was compounded by lack of profitability, [illegible] to investment, in [illegible] stores. Provided the group has disposed of its problem [illegible] there could be an interesting future. At 81 cents, [illegible] share has interest for [illegible] prepared to take a [illegible]

Alliance Textiles

A SMALL sales increase [illegible] about $470,000 (3.8 per cent) was insufficient to [illegible] Alliance Textiles taking [illegible] per cent drop in net profit [illegible] the six months to January.

That result contains [illegible] export tax incentive [illegible] (which is now made as a cash refund), of $[illegible] which was $47,000 above the amount for the same period the previous year.

Exports are moving [illegible] strongly, reaching $2.1 [illegible] in the first half, compared [illegible] $1.9 million in 1977-78 [illegible] directors see a [illegible] local market, in a period [illegible] rising costs.

Alliance, in common [illegible] much of the textile industry [illegible] a patchy performer. While profit last year was about [illegible] per cent ahead of the previous period, there has been a history of fluctuating profitability.

This may be part of the reason why the shares [illegible] move in a comparatively narrow band (between [illegible] and 78 cents this year for [illegible] cents units). But the [illegible] movements provide [illegible] opportunities for traders [illegible] can obtain a good percentage gain from small price changes.

Key indicators

		Current Period	Previous Year	Percent Change
Consumers Price Index — all groups base Dec 1977-1000.	Dec 78	1,101	1,000	+10.1
Building Permits Issued	Dec 78	$100.4m	$84.0m	+20.00
	Dec 78 yr	$1072.7m	$1181.8m	−8.00
Official Overseas Reserves	Jan 79	$796.4m	$593.6m	+35.00
Registered Unemployed — incl those on special work schemes	2 Mar 79	50,061	31,682	+60.00
NZUC Share Price Index	5 Apr 79	339.48	318.68	+6.09
Reserve Bank Share Price Index	4 Apr 79	1487	1385	+8.00

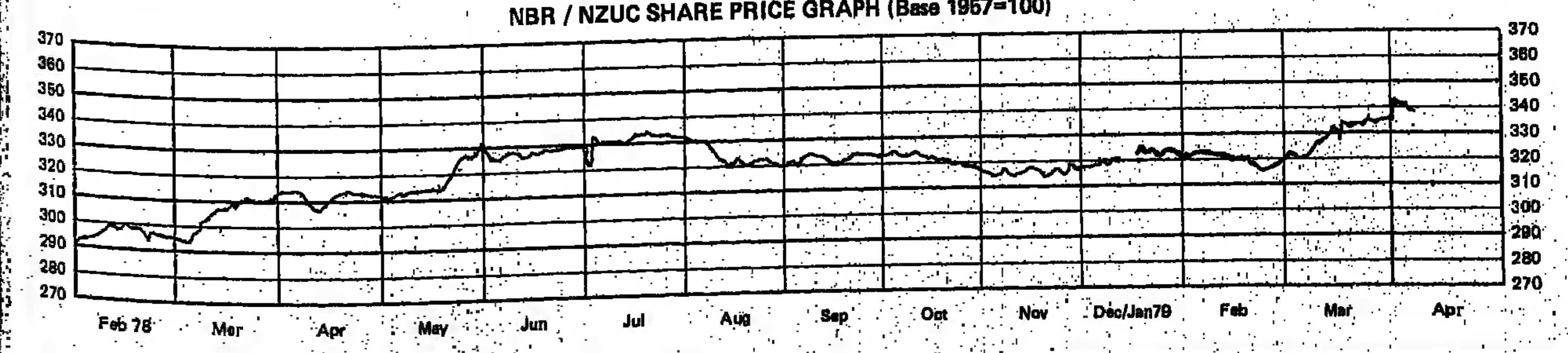
NBR SHAREMARKET SURVEY

WEEK ENDING APRIL 5, 1979

1979 High	Low		Last Sale	Week's High	Week's Low	Dividend %	Reported Turnover	Dividend Yield	P-E Ratio
108	100	AIRWORK,50C	105	105	103	12.0	300	5.8	3.2
700	190	AJAX G.E.M.	200	200	200	15.0	500	6.5	4.4
105	80	A.J.WHITE	105	105	105	11.5	1200	11.0	4.9
150	155	ALCAN,50C	145	148	145	20.0	4500	6.9	4.6
211	249	A.H.I.	2343	245	240	14.0	33300	.6	39.8
76	72	ALLIANCE,50C	75	76	74	13.0	12200	8.2	4.5
760	230	ALL250 EARNSPS	250	250	250	11.0	10800	5.6	6.2
150	125	ALLIED PRESS	125	125	125	10.5	2000	.0	4.6
226	220	ALLOY STEEL	220	...	...	12.0	0	5.5	8.7
		AMALG.BATTS	140	...	...	15.5	0	8.4	6.4
712	185	A.M.BISLEY, 50C	185	185	185	20.0	600	5.4	3.1
66	86	AMPOL PET.,50C	86	86	86	11.0	400	6.4	13.4
163	123	A.BLAVIN	140	140	140	12.0	13400	8.6	5.6
125	113	A SPRINGHALL.	115	115	115	11.0	2000	12.2	2.5
280	269	A.WRIGHT	260	260	260	57.0	1000	8.5	3.1
215	128	A.BARNETT	215	215	205	14.0	1200	6.5	3.0
150	123	A.ELLIS	155	150	155	11.0	2700	8.1	3.6
310	287	ARTHUR YATES	540	500	298	17.0	3700	5.7	5.3
315	175	ASHBY BERGH	310	...	...	22.5	0	7.3	3.8
215	158	A.S.PATERSON	242	252	235	15.0	149800	6.2	8.1
195	175	A.B.CABLES	195	...	...	16.5	0	8.5	4.8
60	49	ATLAS, 50C	56	50	56	17.5	45006	15.6	3.1
345	310	AUCK.GAS	340	540	540	12.5	5900	5.7	14.7
		AUCK. INTERCON. PROP	110	...	...	5.0	0	4.5	25.0
275	210	AURORA,50C	225	225	225	14.0	4200	5.1	11.2
		A.C.I.	198	...	...	0.0	0	4.5	7.0
90	80	AUTOCRAT HOLDS	90	90	80	17.5	6000	19.4	2.8
90	50	BAILLIE,30C	50	...	...	10.0	0	0.6	7.0
78	74	BALLINS,50C	76	72	75	52.5	30500	8.7	6.1
425	410	BANK, N.S.W.,N2	410	415	410	15.0	600	2.3	6.0
82	66	BESCH PETR.,50C	60	...	...	...	0	...	...
70	63	BING HARRIS, 50C	65	65	65	12.5	3200	9.6	4.7
181	163	B.N.Z. FINANCE	580	180	580	12.5	600	6.9	8.5
52	42	BRAMBLES BURNETT,50C	52	52	40	12.0	4700	11.5	4.6
55	52	BRIDGEVALE,50C	52	...	...	6.0	0	5.8	4.5
730	201	BRIERLEY, 30C	232	235	250	28.0	36000	6.0	4.4
72	63	BOS, 50C	65	65	55	16.0	1500	12.3	4.9
		BAIT.PAVEMENTS	200	...	...	7.0	0	3.5	0.0
66	58	BROADLANDS,30C	66	66	60	14.0	85600	10.6	4.6
1540	5120	B.H.P.,$2	1410	1440	1410	17.0	2455	2.4	50.2
95	63	BROTHERS, 50C	95	95	95	20.0	200	10.5	3.7
65	68	BUNTING,30C	61	61	61	11.0	500	9.0	5.5
158	550	BURKES CAT.,50C	158	...	...	22.5	0	2.1	5.3
148	176	C.P.D.	147	142	145	14.0	24500	0.5	5.5
185	150	C.F.C.A.	185	183	183	15.0	1100	8.1	5.2
141	136	C.F.M.	189	180	175	15.5	8800	7.5	5.1
150	145	CANT.FLOUR	145	...	...	15.0	0	10.5	1.9
172	140	CANT.TIMBER	172	172	120	...	13200	...	...
750	160	CAPITAL RADIO,50C	250	230	250	...	7500	...	30.0
58	55	CAPITAL LTE,50C	55	55	55	10.0	2500	9.1	7.5
112	318	CARBONIC ICE	310	...	...	14.0	0	4.5	10.4
223	204	CARISH HOLD	712	717	213	15.0	5400	6.9	4.2
138	135	CERAMCO	185	183	128	14.0	30800	2.6	5.3
211	186	CHALLENGE	210	213	203	12.5	38460	6.0	4.5
105	83	CHINERY	105	105	105	10.0	400	9.5	3.7
125	115	CHCH.GAS	123	125	125	2.5	3900	6.0	6.1
720	720	CHCH PRESS	276	...	...	11.0	0	6.4	5.7
35	28	CITY REALTIES,10C	13	35	35	15.0	7500	3.7	7.6
150	80	CLASSIC FASHIONS,50C	120	120	90	15.0	4400	6.3	4.1
85	83	CLYDE ENG.	86	88	85	12.0	1400	13.6	3.2
143	148	COL.MOTOR	185	183	185	11.0	1000	5.6	5.3
550	122	COLYER WATSON	545	150	143	...	20800	...	...
325	210	CONALCO,50C	283	263	295	20.5	760	3.5	50.2
180	528	CONHANG	120	120	120	12.5	7466	5.2	2.7
		CON.BANK AUST	320	...	...	14.0	0	5.0	11.1
520	149	CON.METAL,50C	170	170	165	14.0	2000	4.7	19.7
64	3	CON.SILVER,20T	64	64	04	...	5000	...	...
550	169	COOKS WINE	245	250	230	5.0	6100	2.0	3.6
107	96	COPY-WRIGHT	95	95	90	11.0	2400	11.6	3.3
260	275	CROWN CONSOLIDATED	755	253	250	15.0	6200	5.9	4.2
430	404	C.S.R	450	...	...	13.0	0	3.3	13.1
112	59	CYCLONE,50C	110	110	110	12.0	3500	5.3	8.4
210	163	DAILEY(N.Z)	705	705	205	12.5	15500	6.1	5.6
55	41	DALHOFF & KING,50C	52	53	52	12.0	6400	11.3	3.7
295	250	DEANES	280	290	290	12.0	4900	4.1	6.9
155	140	D.I.C	152	152	150	15.5	1860	0.5	4.4
128	113	DYNGWALL & PAULGER	170	...	...	...	0	...	...
140	90	D.MCL WALLACE,30C	132	140	151	11.0	53800	4.2	4.2
86	75	D.I.R.A	80	...	...	0.5	0	10.6	9.9
108	90	DOM.BREW.,50C	184	188	102	17.0	324100	8.2	8.7
335	708	DONAGHY'S	275	275	270	15.0	5000	3.3	5.3
740	200	DONALD REID OTAGO FARMER	240	240	240	15.0	1100	6.3	8.5
61	86	D.R.G.,50C	87	87	84	15.3	1700	2.8	5.9
258	200	DUNLOP (AUST)	245	...	...	10.0	0	4.1	12.3
255	200	DUNLOP (NZ)	255	255	235	20.0	2000	2.8	4.9
162	102	EBBETT	102	...	...	12.0	0	11.8	3.2
65	76	EDS.50C	84	80	80	10.0	4200	6.3	6.2
118	125	E L'STAIN,50C	135	153	132	18.0	7200	6.2	5.4
		EMPEROR MINES,10C	51	...	...	...	0	...	1.3
		EQUIT.BLDG	107	...	...	12.5	8	11.7	8.8
200	183	E.ADAMS	195	195	100	12.0	600	6.2	2.0
114	93	F.T.C.,50C	98	100	03	15.0	9100	7.7	5.2
70	79	E.WAIMAK,50C	70	...	...	12.5	0	8.0	4.1
109	07	FELTEX,50C	105	100	105	10.5	22000	7.0	5.9
133	518	FIRESTONE NZ	152	552	150	...	5400	...	...
790	205	FIRTH	708	...	...	10.0	0	7.8	4.1
272	198	FLETCHER	218	222	210	18.0	07500	8.3	4.0
175	120	FOUNTAIN CORP	125	125	125	15.0	5000	12.0	4.2
111	93	FREIGHTWAYS, 50C	111	111	108	16.0	13200	7.2	5.0
130	523	GEAR	125	525	125	...	1600	...	2.0
515	113	GEN.FINANCE	140	140	135	12.0	9100	8.6	3.0
100	65	G.COURT	100	...	...	51.0	6	11.0	6.3
		GIANT	78	...	...	5.0	6	2.2	2.0
275	87	G.J.COLES,50C	81	...	...	24.0	0	14.8	5.7
55	50	GOLDEN BAY,50C	52	35	51	12.0	17100	11.5	3.0
34	29	GROSVENOR PROPS, 25C	54	31	54	8.0	1000	5.9	14.8
246	185	HALLENSTEIN	255	235	255	10.0	600	6.8	5.5
370	146	HAGLEY	320	...	...	15.0	0	4.1	10.7
145	100	HAURAKI ENTERPRISES	120	170	150	30.0	900	.0	9.4
52	42	HAWKINS,50C	77	77	73	17.0	16400	11.0	3.5
92	23	HAYWRIGHTS	82	82	00	15.0	11500	18.3	6.4
212	540	H.B. FARMERS	200	200	200	...	000	...	...
348	243	HEALING	330	330	550	10.0	000	5.0	10.5
572	162	H.POLLARD	172	172	170	12.5	0500	7.3	6.0
725	156	HENRY BERRY	158	100	158	58.0	5000	11.4	4.4
715	230	HOODER & TOLLEY	253	...	...	12.0	0	0.7	5.5
		HOOKER,30C	75	...	...	15.0	0	10.3	4.8
155	154	I.C.I.(AUST)	555	...	...	15.0	0	0.7	6.8
158	550	I.C.I.(NZ)	155	558	155	15.0	4500	8.4	12.2
215	185	IND BROADCASTING	215	215	213	11.0	700	5.1	0.0
125	123	INDEPENDENT NEWS	125	125	125	15.0	5000	10.0	4.7
130	145	IND.CHEM,50C	150	550	150	15.5	600	5.2	2.8
530	118	I.W.DOW,50C	125	130	124	17.0	7200	0.8	4.0
185	170	JAMES AVIATION	175	...	...	15.0	0	7.0	2.7
103	85	JAMES SMITH 50C	105	103	100	10.0	1508	7.8	9.0
233	255	J.F. WATSON	225	225	225	13.0	300	6.7	5.0
190	134	J.BURNS	190	190	178	52.5	5500	0.6	0.5
160	138	JOHN EDMOND	155	155	150	14.0	1500	9.8	3.9

1978 High	Low		Last Sale	Week's High	Week's Low	Dividend %	Reported Turnover	Dividend Yield	P-E Ratio
68	55	J.WEBSTER 50C	60	05	80	10.0	4800	13.8	3.8
125	115	J.WATTAM	115	115	115	16.0	1000	15.9	3.5
175	170	J.RATTRAY	175	175	175	12.0	5700	6.0	5.4
210	210	KEARNS-OATINS	210	...	...	...	0	...	39.8
89	67	L.W.RUDKIN,50C	80	06	78	14.0	10200	2.0	5.7
52	45	LANES,50C	52	52	52	10.0	200	6.6	3.6
207	100	L.D.NATHAN	207	207	205	15.0	7700	6.5	5.6
90	05	LEVLSNG,50C	90	...	...	12.5	0	6.9	6.5
80	71	LION	76	80	78	15.0	05000	0.5	7.1
55	18	L.&M.OIL,SAC	75	25	23	...	5900	...	...
255	755	LUSTERDIE	255	255	255	17.0	4500	6.7	2.9
120	112	MAINZEAL CORN,50C	170	120	120	15.0	200	6.3	4.7
200	12	MAIR,50C	200	200	190	25.0	2300	8.3	4.2
110	100	MANAWATU,50C	110	...	...	16.0	0	7.5	4.6
165	155	MANTHEL	145	165	165	10.8	408	8.1	5.4
180	170	MARAC	180	100	180	15.0	2580	8.3	5.0
148	138	MCALPINE,50C	140	140	140	16.0	1900	5.7	6.8
105	145	MCKECHNIE	165	165	105	10.0	2800	9.7	4.5
70	06	MCKENZIES,50C	69	60	68	11.0	1300	8.0	5.1
		MSH.SUPPLIES	215	...	...	12.3	0	5.3	3.4
155	125	MIOLSNG	155	155	150	12.0	23200	7.2	4.5
20	14	MIN.RESOURCES,20C	20	20	20	...	1000	...	...
72	55	M.O'BRIEN,50C	72	72	70	10.8	3500	8.9	2.2
135	115	MONTANA,50C	150	132	128	7.3	15880	2.6	54.2
170	130	M-R.I.P.	110	150	143	12.3	1608	6.5	6.4
256	175	MOSGIEL	138	140	138	15.0	0300	0.4	3.2
50	50	MOTOR HOLDN.,50C	15	55	53	15.0	18100	13.6	7.0
86	75	MOTOR TRAD.,50C	88	86	85	14.8	0208	8.1	3.5
		N.S.R.-SETSRS	150	...	...	10.8	0	7.7	3.9
118	160	NSI CORPN,50C	114	110	110	10.0	55100	2.8	7.1
255	170	MT.COOK	250	255	240	13.0	8000	5.2	11.0
395	260	N.I.N.HOLDS.,50C	395	395	305	0.0	100	.8	55.0
200	178	NAT.INSCT	200	200	192	17.0	5700	8.5	2.7
		NAT.PICTURES,$2	172	...	...	5.3	8	6.4	13.1
125	120	NAYLOR	525	125	120	12.0	5108	9.6	5.4
		NCE FA14E01	115	...	...	4.0	0	3.5	4.1
57	51	NEIL HOLDINGS, 50C	54	54	52	12.0	55200	11.1	1.1
114	102	N.Z.CARSNT	110	510	106	12.5	700	11.4	6.3
06	01	N.Z.F.C.,50C	90	92	90	15.8	2880	2.2	4.2
192	105	N.Z.FARM FERT.	187	187	185	15.0	5600	7.0	6.4
247	200	N.Z.F.P.	236	242	250	15.0	138200	6.4	6.2
325	200	N.Z.I.G.	375	525	325	14.0	5008	4.5	14.1
255	252	N.Z.I.	250	255	250	20.0	20100	8.0	6.9
96	18	N.Z.LAND,50C	10	10	10	5.0	1100	13.9	.9
100	90	N.Z.LEATHERS	87	100	93	...	8400	...	...
111	102	N.Z.MATOR BODIES	110	...	...	10.0	0	9.1	5.0
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

NBR / NZUC SHARE PRICE GRAPH (Base 1957=100)



Why creditors hope court okays NAL lift-off

by John Draper

FIFTY creditors owed nearly $250,000 are hoping the Supreme Court will untie the legal knots and allow Nationwide Air Ltd to take off.

With the court's backing, the creditors might get 30c in the dollar back. Without it, their prospects are bleak.

The scheme to save the creditors, approved by the Supreme Court in Christchurch recently, is conditional on the Supreme Court in Wellington ordering the Air Services Licensing Authority to change its mind on the company's Carvair operation.

In 1977 the authority declined to substitute the converted DC4 freighter for a 10-seater Aero Commander on Air North's licence, and withheld its approval for the transfer of the same licence to Nationwide Air Ltd.

If the Supreme Court overrules the authority, Nationwide Air Ltd will get $15 per Carvair flying hour to pay off its creditors.

Hamilton-based Eagle Airway's Ltd petitioned the Supreme Court last year in an attempt to recover $1870.

General manager Malcolm Campbell says it seemed to be the only way. "Other creditors had done the same thing and been paid, so we tried the same approach."

The petition was joined by other major creditors, including the Inland Revenue Department claiming more than $52,000.

Now $800 further out of pocket in legal expenses, Eagle Airways has almost given up hope of recovery.

"The scheme of arrangement is something like the script from a Walt Disney film," Campbell said.

Debts were frozen at December 6 last year and Nationwide Air Ltd has effectively stopped operating.

Estimated losses at that date totalled $733,320. A sizeable proportion is understood to relate to Air North Ltd before it was taken over.

Assets were valued at $145,637. These included a DHC Heron valued at $78,734 but of indeterminate market value, which is security for a BNZ Finance loan of $46,562.

The company also had an overdraft of $38,455 with the Bank of New Zealand, which put in a receiver last year.

Nationwide Air Ltd's parent, the Haulaways Corporation, also in receivership, is the largest creditor. It is owed $247,777 net and stands at the back of the queue for repayment.

Nationwide Air Akarana Ltd, the only Haulaways subsidiary not put into receivership last year, has now joined the rest of the group.

Even if the Supreme Court judgment favours Nationwide Air Ltd, the Air Services Licensing Authority still has to approve the contract allowing Nationwide Air International Ltd — the company formed to get the Carvair operation off the ground — to operate them.

If it does, the preferential creditors (the Bank of New Zealand) must be paid within a year, and the unsecured creditors 15c in the dollar in the following year.

After getting a further 15c in the third year, the unsecured creditors will assign their remaining debts to the receiver.

Failing these conditions, the company will be liquidated.

Meanwhile the Carvairs at the centre of the controversy are flying, and according to Nationwide Air International, are getting more freight than they can handle.

Behind the figures and the court actions is a battle between a private enterprise buccaneer and the state-owned New Zealand Railways.

More than 15 years ago Matt Thompson started fighting the Railways over the delivery of new cars.

His application to use road freighters was turned down by the Transport Licensing Authority so he employed 47 drivers to convoy the cars around.

Later his application was successful. Expansion rapidly followed, eventually stretching management and finance beyond breaking point.

The Cook Strait was the next bottleneck to be tackled, to overcome delays and expensive idle time.

After one abortive attempt to get into coastal shipping, Thompson took to the air.

Early applications to the Air Services Licensing Authority in 1977 were withdrawn after drawing objections from every other national transport operator — among them, the Railways, the then National Airways Corporation, Union Steam Ship Co and the Shipping Corporation.

Thompson then tried to get in through the back door, buying Air North and Inter Akarana Air Ltd.

The aim was to substitute the Carvair freighters on the existing licences which would then be transferred to Nationwide Air Ltd.

The Air Service Licensing Regulations, passed in 1951 when airfreighting was still in its infancy, allowed aircraft to be substituted based on seat numbers — a 10-seater for a 10-seater.

And in the terms as written, there was nothing to stop a Jumbo jet with four seats being substituted for a four seater Cessna.

The authority, realising the loophole changed its rules, refused to transfer the licences to Nationwide Air Ltd.

Other delays in bringing the two aircraft to New Zealand are estimated to have cost around $250,000 but having landed, and with the Supreme Court action lodged, the company flew ahead.

Now the authority has filed its defence, allowing the Supreme Court to set a date for the hearing, probably sometime in June.

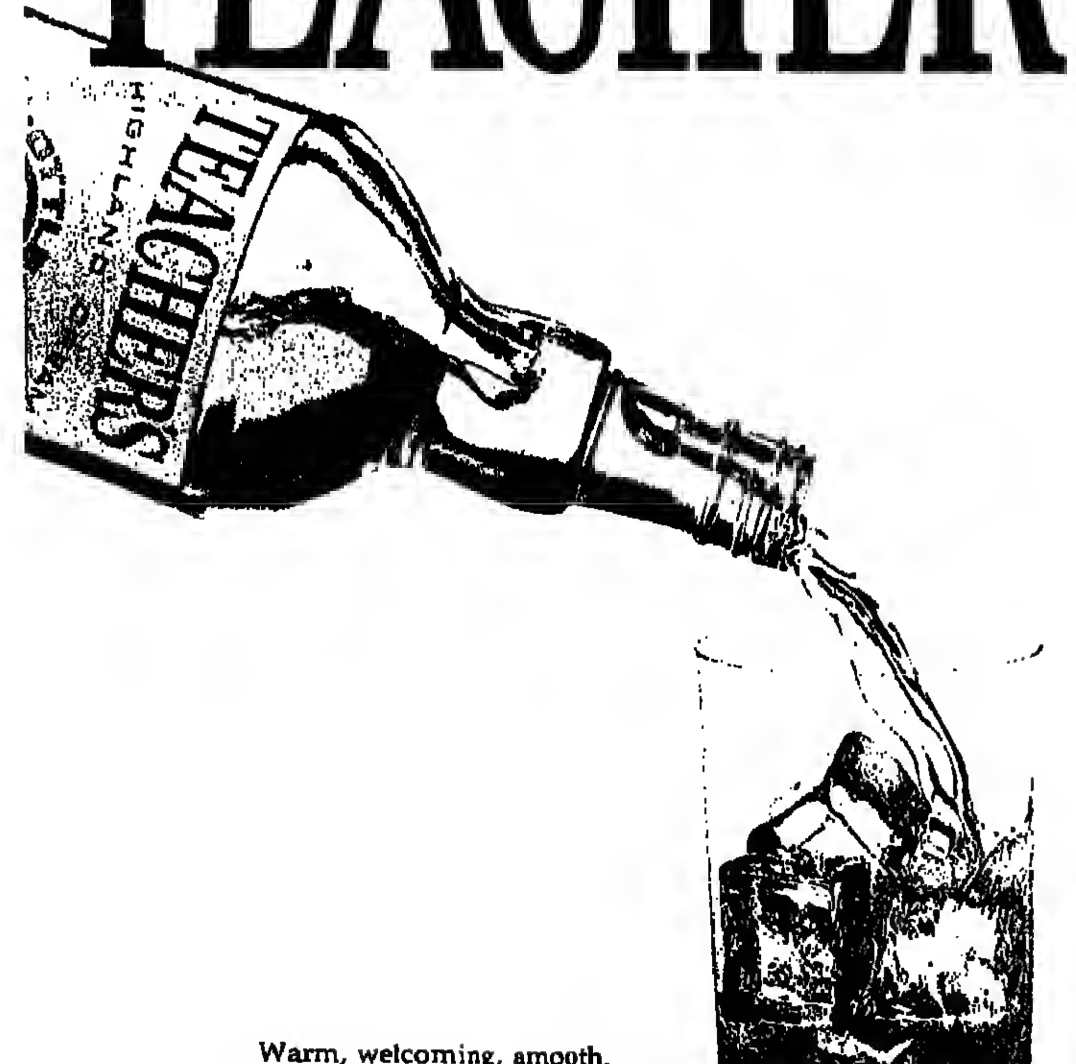
But to cover any upset, Nationwide Air International Ltd has applied to the authority for a licence to operate four Carvairs between Wellington and Christchurch, Nelson and Blenheim, Christchurch-Auckland.

To cope with the growing demand, the company has taken out options on three Carvairs being sold by Sir Freddie Laker's British Air Ferries.

It is understood the British airline is interested in taking a share in the expanded operation getting back into the New Zealand airfreight scene which it pioneered as a major partner in Safe Air Ltd through its holding company Air Holdings Ltd.

Nationwide, with its lower operating costs, is undercutting Air New Zealand, offering an alternative door-to-door service between Auckland and Christchurch.

Freight forwarders and other aviation operators are also taking a keen interest in Nationwide's future with a view to participation, if not takeover.



UEB continued from page 3.

not UEB's first foray into the tourist industry.

UEB previously bought and later disposed of a 20 per cent shareholding in Travelodge. Why did it sell? "The name of the game is 100 per cent control", Tedcastle said.

As for further acquisitions in the tourist industry, Tedcastle said, it was not necessarily his company's intention to put money into brick and mortar. But this did not preclude management contracts or lease-back arrangements to run further hotels.

Tedcastle was not willing to discuss UEB's future directions for expansion for fear of scooping his own shareholders. But he left no doubt that he thought UEB's management skills could be profitably turned to other growth industries.

His company's present strengths, he said, were in carpet manufacture and packaging.

The company's lucerne drying and pelletising operation has been at best only marginally profitable. This resulted from the depressed prices in Japan for a high priced product, the appreciation of the yen, and rising prices for the fuel oil used in the drying process.

Tedcastle rose to the top through UEB's flexible packaging division. This field is his forté — and promises to be a source of new ideas and products for the company.

He sees the packaging industry as the middle man between the producer and his overseas customers, offering the exporter protection for his product in transit and promotion on arrival in the marketplace.

Some of Tedcastle's pet projects include:

- A polythene heat-shrunk bag to go around lamb carcase exports. New Zealand lamb exporters presently use an imported cheesecloth-type material which offers little protection against freezer burn and weight-loss. UEB is working on the polythene bag which is intended to prevent these but polythene is slippery when wet which makes the carcases hard to stack. So UEB is developing a non-skid surface for it. The remaining impediment to getting this product off the ground is bucking the English unions who Tedcastle said, are resisting any change.
- Cardboard milk cartons. These cartons have boosted milk sales in Australia and some New Zealand milk corporations favour their adoption here. New Zealand Forest Products is working on production of the specialised cardboard and UEB would make the cartons which could be used for milk or fruit juice.
- Cartons for the export of New Zealand water from the Manapouri outlet. Tedcastle said he saw a good market for water in Asia and the Middle East. Packaging will take the form of a litre cardboard carton or bulk packs. The large packs would be on the plastic bag in a cardboard box principle now used in the wine industry (another of Tedcastle's projects).

ROB TEDCASTLE . . . entrepreneur.

As for Tedcastle's management style, the best judge of this might be his fellow executives at UEB. His appointment has been greeted with enthusiasm. There is a spirit of excited expectancy about the place. Tedcastle said UEB had always had a high degree of delegated responsibility. "Each divisional general manager is running his own business in his own right. I don't want a line of people coming to my door for decisions.

"I've grown up with these guys. I know their strengths, but, in the final result, the buck stops here."

Abusive stench infects Queensland politics

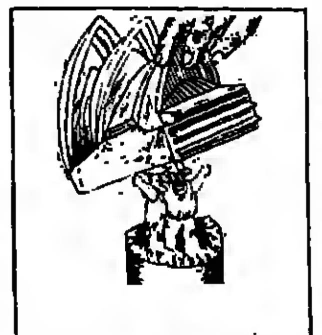
by Spiro Zavos

FOR a New Zealand journalist (now living in Australia) observing Queensland politics seems like looking at a re-run of the days of fear and loathing that infected New Zealand during the stormy months before the 1975 elections. The Queensland Parliament has just had a debate on a motion proposed by the Premier Johannes Bjelke-Petersen censuring the Labour Opposition. Labour MPs dignified the debate by calling the premier a "gutless dingo".

Former Labour leader Tom Burns shouted at Bjelke-Petersen: "You wouldn't even fight for your country". Labour leader Casey said Queensland was governed by a tired, corrupt, dishonest inefficient and unethical government: "The stench of corruption surrounds its decisions and pollutes the corridors of Cabinet".

Joh, as he is known to his friends, is not the sort of politician who turns the other cheek. In a scething reply, he told Casey that he was "a dishonest man. By being dishonest in business he got out from under and left owing many people huge sums of money. His own pockets still bulge with the money of the Queensland taxpayer . . . "

The culmination of the debate came when a Liberal Party member called the premier a "power drunk egotist". Dr Norman Scott-Young continued, amid uproar, "this is not a political opinion. It is a medical one."



THE AUSTRALIANS

The Liberal party is in coalition with the National Party of Bjelke-Petersen. The outburst against him by a coalition member was sparked off by the premier's decision to prevent the Liberal Party leader Edwards from opening a hospital which had invited him to do so.

Incidents like this, make it easy to dismiss Bjelke-Petersen as a wild-eyed ranter. He is that at times. He is also a shrewd political operator. His party wins only about 30 per cent of first preference votes but because of a massive gerrymander, it has (with it Liberal coalition partner) a huge majority in the House.

The premier was the first Australian politician to take on Gough Whitlam when he was riding high as Prime Minister. Whitlam made the DLP Senator, Gair, ambassador to Ireland in an attempt to change the deadlock in the Senate in his favour. He acted without thinking about Bjelke-Petersen's political cunning. The Queensland premier appointed, as was his right (and violating the convention) a person of his own political persuasion. This appointment was crucial when Fraser came to use the Senate as the way of getting Whitlam out of power.

In Queensland itself, the premier is personally very popular. He is a hard liner on law and order. His administration has forbidden street marches in parts of Brisbane and this regulation has provoked many clashes between the police and demonstrators. For years Playboy has been banned in Queensland and there is talk of additional censorship measures. For instance, an

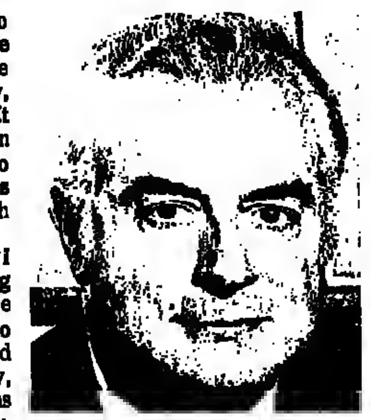
BJELKE-PETERSON . . . doesn't turn the other cheek

Australian film about the Vietnam War starring Grahame Kennedy, entitled "The Odd Angry Shot", was filmed with two prints—one for Queensland without any four-letter words.

The premier is a vindictive man who plays politics very hard. Bob Jones' description of Muldoon comes to mind when thinking about Bjelke-Petersen: "he takes no prisoners". Indeed there are many similarities between the two leaders, in personality, style and political belief. It was not surprising that when Muldoon went to Brisbane to make a speech several years ago, he was received with acclamation.

I once had to interview Joh. I was rather nervous, expecting a man of formidable stature and presence. He turned out to be a little, lithe, deeply tanned man, wiry rather than stocky, who spoke softly and looked as though he wouldn't hurt a fly. Except what he was saying in his low-pitched, unemotional voice was remarkable for its bitterness and savageness against the then Whitlam administration.

Queensland is a curious place. Sophisticated Australians think that the sun has addled the brains of its inhabitants. It is extremely reactionary, provincial, small-town, with a chip on its shoulder over the way its wealthier and more suave city cousins in Melbourne and Sydney look down on its quaint, old-fashioned ways. Its premier reflects these values. Curiously, he is a peanut farmer millionaire like Jimmy Carter.



GOUGH WHITLAM...foiled to see cunning

When I told a friend that Bjelke-Petersen was born in New Zealand, he looked at me startled and said, "There must be something wrong with the water there".

Louvre accepts local gallery's world status

by Bute Hewee

A LETTER from the Louvre in Paris, perhaps the world's most celebrated art museum, lies on the desk of Ernest Smith, director of the Auckland City Art Gallery.

Written in the cordial terms of one professional friend to another, it offers to lend him a masterpiece from the Louvre collection, one of the South Pacific paintings of Paul Gaugin.

Smith has dreamed for years of bringing back some Gaugins to the South Pacific, even if only on temporary loan, and his enthusiasm has fired the imagination of galleries in the Northern Hemisphere which own many of these works.

Paintings have been offered from Europe and North America, but this one from the Louvre tops them all.

"It's a rare honour for the Louvre to lend a painting to another gallery, especially one so far away," explains Smith. "It's an indication of the international standing we have achieved here."

But it is still by no means certain that the paintings so generously offered will be brought to New Zealand. At this end, everything hinges on one question: Can we afford it?

For the cost of staging this exhibition, of some $8 million worth of art, has been estimated at $80,000, and Smith's dream has turned into a financial nightmare.

Auckland City Council, which owns the gallery, will think very deeply before pledging itself to that much backing for a single exhibition.

ART SHOP

Some councillors say openly that without substantial sponsorship from business firms, the show is unlikely to go on. They point to the commercial backing given to sport, and hint that firms should give attention to culture as well.

A few companies do. They have given money to support major art exhibitions in the past, as a public relations gesture, and have reaped useful goodwill from it.

The result was a series of what Smith calls "blockbuster exhibitions". It was an enormous drawcard for New Zealanders to see a Van Gogh or a Constable or a Picasso on their own soil instead of travelling overseas to view them.

These were expensive to bring in. Sending a masterpiece halfway round the world is not the same casual business as mailing or air-freighting an ordinary package.

Delicate handling throughout the journey is essential. Sometimes the lending galleries insist on sending one of their senior staff to nurse the shipment all the way.

Insurance premiums on irreplaceable works in transit are heavy too. They have become almost prohibitive since hijackers and terrorists went into action against airliners.

Fear of what could happen to a painting on loan to a distant country has caused Northern Hemisphere galleries to become much more cautious in their lending policies.

Through the worldwide grapevine of art gallery staffs, reports and rumours circulate rapidly, changing the situation constantly like winds on a weather map.

A mentally disturbed man slashes huge knife cuts in a Rembrandt in a Dutch gallery, and word goes round that it is no longer safe to lend old masters to Holland.

A Palestinian terrorist is released from gaol in Paris, and galleries in other countries nervously withdraw offers to lend paintings for exhibition there.

A German curator, visiting America, is mugged on the steps of the Boston Art Museum, and at once America is regarded as an unsafe place to send pictures.

These are incidents that make planning an exhibition a heart-breaking task for men like Smith.

Whenever a plane is hijacked and its passengers held to ransom, the art world wonders what would have happened if a great painting had been on that flight.

Killing a planeload of innocent people is usually too great an outrage for terrorists to perpetrate, no matter how much they may threaten. Destroying an old master is much easier and would produce the headline-making shock effect they seek.

This is why insurance premiums have shot up. Coverage on the Gaugins on their way to New Zealand could cost $40,000, and this has been a major problem in selling the idea to rates-conscious councillors.

The balance of the $80,000 overhead could go into the printing of posters and catalogues, handsomely presented to match the prestige of this exhibition.

That is less of a problem. Visitors to the gallery would snap up such items, to be treasured as souvenirs, and sales could recoup that cost.

Admission to the gallery is normally free, but when great exhibitions like this are on, a charge of $1 is made. That too could go a long way toward covering overheads.

But there is little chance that the project could break even, and nobody really expects that it should. Such shows, after all, are presented as a service to the public, not as potential money-makers.

So councillors work on the assumption that the entire overhead must be guaranteed, either by themselves or by outside sponsors, before they go any further. That is the stage they have reached now.

There are other imponderables too which could stop the exhibition before next March, when it is tentatively scheduled to open.

"If a famous painting were destroyed, or even threatened, in an airliner hijack any time before then," says Smith, "there could be an immediate clamp-down on lending.

"Right up to the moment the Gaugins arrive here, if they ever do, we can never be certain the exhibition will go on."

He consoles himself, though, with the knowledge that his gallery, and perhaps his personal reputation too, are of such standing in the art world that there is so much willingness to send great works here.

Not only that, but New Zealand is apparently regarded as a safe destination for priceless paintings, freer than most of the world from the threat of terrorist attack. That, at least, is nice to know.

Galleries

by Peter Cape

New Vision, Auckland: Jens Hansen, jewellery.

Waikato Art Museum: Rangimarie Hetet and Diggeress te Kanawa, traditional Maori weaving.

Wairarapa Arts Centre, Masterton: Doris Lusk, "Awninga" paintings; Maxwell Simpson, silk batik.

Academy, Wellington: National Bank Awards.

Elva Bett, Wellington: Rudi Gopas, paintings and graphics.

Galeria Legarde, Wellington: Gretchen Albrecht, "Gardens" paintings.

Wellington Cultural Centre: Festival Exhibition by Wellington City Corporation.

Peter McLeavey, Wellington: Ian Scott, paintings.

Victoria University: Chris Booth, sculpture.

Wellington Settlement: Joan Beattie, fabric paintings.

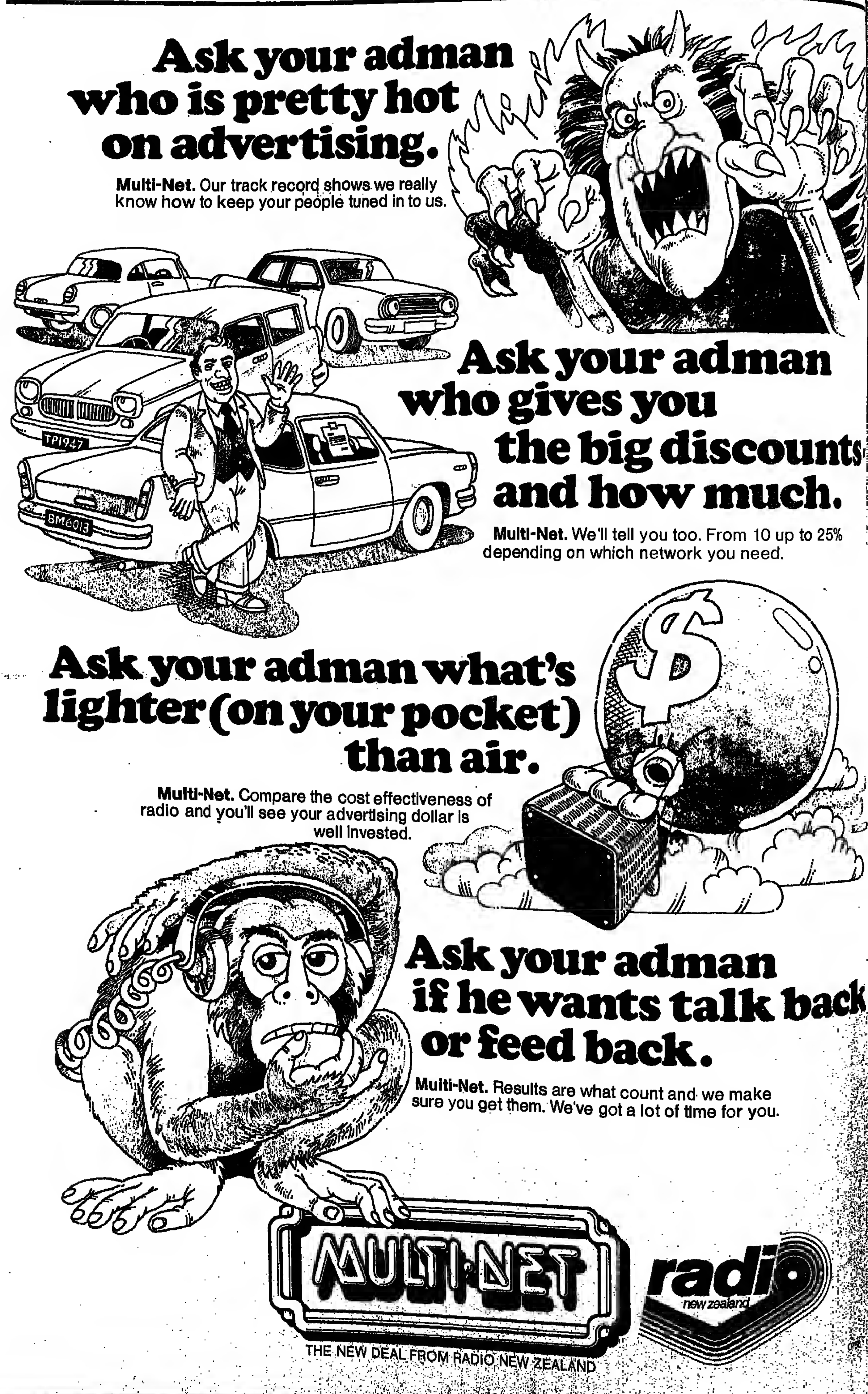
Suter, Nelson, Annual Autumn exhibition.

Canterbury Society of Arts: Philippa Hutchinson, Kees Bruin, Richard Lovell-Smith, paintings. Llew Summers, Pauline Rhodes, sculpture. Stone-Perry collection of photographs.

McDougall, Christchurch: Neil Dawson, "Seascape", sculpture and drawings.

Otago Art Society: Barry Walsh and Jim Tomlin, paintings.

Dunedin Public: Christchurch Star schools exhibition.



Woolworths stirs press

THE disappearance of Woolworths' advertising from the columns of daily newspapers during March and its reappearance in the form of household circulars has set many chins a-wagging. But in NPA circles, jaws are tightly clenched. No wonder. If Woolworths are seriously considering alternatives to press advertising, then one of New Zealand's major press advertising accounts could go down the drain with quite serious repercussions.

Woolworths' executives are pretty tight-lipped about the exercise, too, regarding it as a matter of marketing strategy which they don't want to broadcast to their opposition.

The circulars took the form of 12-page advertising tabloids, printed in three flat colours, prepared and produced by Woolworths' staff. They were distributed only in areas where Woolies had both variety stores and supermarkets. Nearly 600,000 copies were printed — enough to cover between half and two-thirds of the occupied dwellings in New Zealand.

An issue dated March 26 and delivered in Wellington advised readers to "Look for our advertisement in your local paper next Tuesday" but the mailbox drop may continue past the end of March in some areas.

It is known that Woolworths has been concerned at continually rising advertising rates. And it is understood that it would be happy to see its print advertising handled by an advertising agency as its electronic advertising is now. But the NPA bar on commission payments for retail advertising prevents this. Some newspapers breach this edict and are willing to make commission deals on retail advertising in certain specified circumstances. Large scale advertisers such as Woolworths find such practices "discriminatory".

The real reason for the venture remains an enigma. A guess could be that the chain is conducting an evaluation of an alternative advertising medium. It is uniquely placed for a comparative test of cost-efficiency, for in this kind of operation sales results show immediately or not at all. Or it could be an early warning signal to daily press that no one medium has a stranglehold on the company's advertising.

In an attempt to impress its staff with the serious consequences of losing Woolworths' advertising, INL's Wellington Newspapers Limited ran an item in its house magazine. After stating that the Evening Post would lose 20 full pages in the month of March, it went on to say that total loss of advertising could cost the company revenue in excess of $250,000 per annum, "with subsequent effect on the overall profitably of the company and ultimately job security."

With that ominous warning echoing in their minds, staff must have been more than mildly surprised to find the INL imprint appearing on the Woolworths circulars distributed in the Post's circulation area. The value of the print order could not be ascertained but in the swap of printing for advertising INL certainly fared better than those other papers left with large chunks of space to fill.

Letting left hand know about right hand rule

DOBBS WIGGINS McCANN ERICKSON is busy with a campaign for the Ministry of Transport to let a confused public know — again — which way it is supposed to turn at intersections, and who gives way to what, when.

David Woodley, administration officer with the road transport publicity division of the MOT, says the cost of the campaign will be around $60,000, "higher than normal because the ads which are featured in 27 papers, including provincials, used photographs of actual intersections in the localities".

The idea is that apathetic locals will feel more involved, and perhaps even read the message, if they recognise the picture.

But why spend public money to advertise regulations so recently introduced? The MOT says there has been a demand for clarification from members of the public and groups such as the Automobile and Driving Instructors' Associations, who have written to the Minister expressing their views.

"Nevertheless, there is "general opinion that the new rules should remain".

While there are no individual figures on traffic offences caused as a direct result of the rule changes, accidents if anything have shown a slight drop.

In answer to J E Walker

A LETTER written by J E Walker of Gisborne and published in our issue of March 7 asked some pertinent and

worthwhile questions about retail advertising and agencies, and offered the opinion that "the answers to these questions and any general discussion that develops will be of interest to a wide section of your readers". We are happy to answer these queries.

"Is there 'wholesale' as well as 'retail' advertising and if Woolworths is classified as retail, is banking, insurance, Watties . . ." was the tenor of the opening questions. The answers to these questions are rooted in early advertising history.

Retail advertising, in its original connotation, was advertising conducted by a retail shop dealing directly with the public and located within a defined radius of the local newspaper in which it advertised (because this definition preceded the advent of electronic media). Presumably because the retailer had no alternative medium and so, if he advertised at all, must use the local paper, no commission would be paid to any advertising agent handling such advertising. So, in advertising agency terms, "retail" came to mean "non-commission bearing" advertising.

The business on which newspapers did pay commission was termed not "wholesale" but "national", and was from companies which distributed their products or services over a number of territories not confined to the circulation area of any individual newspaper. As the paper did not have a monopoly of the advertising opportunity, it was willing to pay the agency for its effort in selling the space on behalf of the newspaper.

Later on, came the chain-store phenomenon, and "national retailers" such as McKenzies, Woolworths and Self-Help came into existence. They were nationally owned, organised and managed, but they were still retailers in the eyes of the press. So though advertising agents in some cases actually prepared and placed the newspaper advertising, no commission was paid.

Subsequently, radio and then television stations worked out their own interpretation of national and retail advertising, and the agencies' part in securing and servicing the business was generally recognised by the payment of commissions on the part of electronic media.

Then our reader asks one of the knottiest questions possible regarding the client-agency-media relationship. "Is an advertising agency an agent of the newspaper or an agent of the advertiser?" An agency must be officially recognised by media, an act which takes the form of "accreditation" from a media body. This entitles the agent to receive commission from media. On behalf of its media principal, it can act without reference (except regarding availability) in selling space or time. But it cannot buy that space or time without prior approval from its client. So it seems that the agency is the agent of the media but the representative of the client.

The remaining questions seem to ask for a reason for the payment of commissions to advertising agencies by media.

Agencies, by supplying volume sales of space or time, perform a function which would otherwise require a large media sales force. The commission represents a fairly low selling cost. Media also save operating costs in dealing with a small number of agencies instead of hundreds of individual advertisers and in receiving advertising material in completed form ready for publication as well as instructions for insertion. And, importantly, the agency takes the credit risk and is responsible for payment.

We hope this explanation clears up the matters which have intrigued our reader.

Golden oldies

NOT long ago a New Zealand economist pointed out that the new financial aristocracy will come from the ranks of those who are currently reaching retirement age. They will receive from their employers superannuation indexed to inflation and will also be entitled to national superannuation indexed to wages. Plus, of course, any income generated from savings.

The old will be the new rich.

A similar theme is developed in an article "The new aristocracy: Senior Citizens" appearing in "Pented", the international house magazine of SSC&B:Lintas. It examines the changing impact of senior citizens on marketing trends.

In the less industrialised countries, especially where the oriental joint family system is the backbone of society, the article states, the elderly are venerated and cared for by the family unit (and here we see an echo of the extended family concept of Maoridom). In the West, however, the independence of the individual has won out. The elderly are becoming an articulate and mobile force in society.

"The point is that virtually every western society will have a general increase in the elderly as a proportion of the total population every year over the next 30 years." (The article does not define "elderly" but quotes the classification at 13 per cent of the New Zealand population in 1976, which coincides with the 60 years and over group.)

The article asserts that the retired people today and tomorrow are, and will be, younger both in age and attitudes, better educated and obviously more politically-financially aware than ever before.

"With index-linked pensions becoming more common ... the spectre of inflation is less frightening. Mortgages are mainly repaid, insurances mature, there appears a tendency to liquidate financial assets as early teachings to conserve wane."

"There will be demands for better products from the discerning elderly ... it does make sense to be in the right place at the right time to provide products and advice which are needed and acceptable."

In urging advertising and marketing people to broaden their vision if they are going to be at all relevant to the retired elderly, the article points out that in America, consumers over 65 constitute a market with buying power nearly twice that of the more competitively sought after youth market. (In New Zealand the 60 plus market in 1977 added up to 372,000 people, all of whom were, in one form or another, beneficiaries of the welfare state.)

Are the elderly more difficult to communicate with?

"There is a rift in society between those who were educated through the written word and several generations who have been taught through new methods of communication which rely on the visual impact of television and comics. Today's advertising is largely aimed at the 'illiterate' market and tends to ignore the elderly who can actually read and enjoy reading."

In support of this argument, the article reproduces a readership profile of four of the United Kingdom's leading women's magazines which shows that the over 55 age group supplies from 36 to 50 per cent of the readers. Yet in only one journal did the advertisers have an interest in the elderly in proportion to their readership.

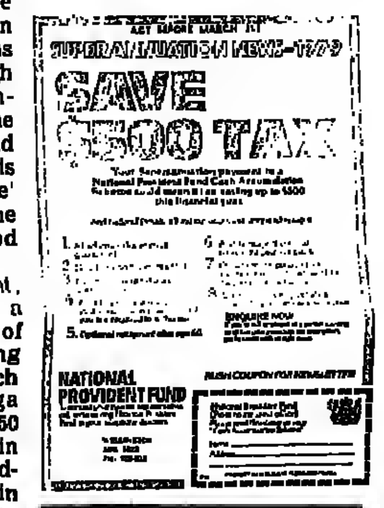
After providing examples of successful advertising addressed to older people, including the New Zealand example of General Finance's appeal to the bowling fraternity (Admark: June 14, 1976) the article concludes: "All the evidence today says the elderly are not deprived, they are not useless; they like to be treated as people and not insensitively; they have money; they have the time; there is a need to fill in that time usefully and interestingly. We must not ignore them."

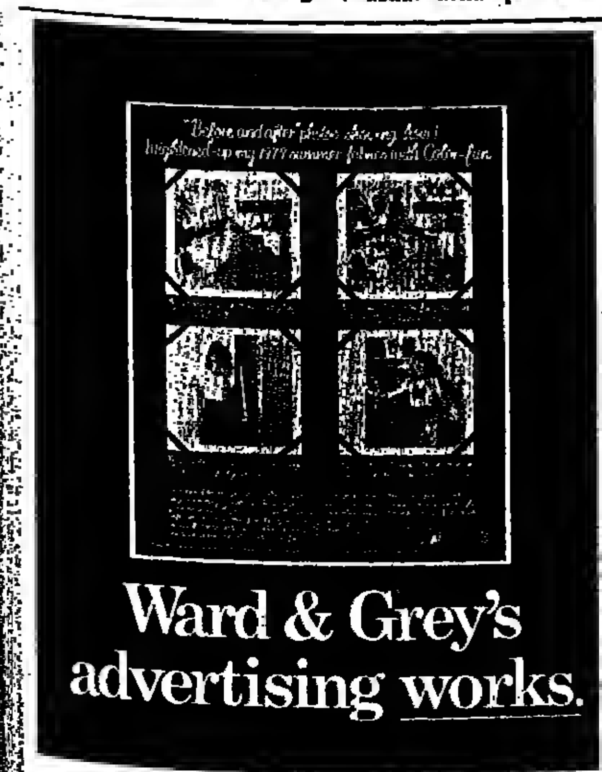
Headline deadline

NATIONAL Provident Fund exhibits a touching faith in the efficiency of a kindred Government department, the New Zealand Post Office.

On Thursday, March 29 — with one trading day left of the financial year — a Provident Fund ad appeared in Wellington's Dominion with the headlines "Act before March 31!" and "Save $500 Tax".

Both pieces of advice could have been enacted, provided you ignored the next recommendation which was to "Rush Coupon for Newsletter" to the nearest NPF officer. How, with our present snail pace mails, you were to post the coupon, receive the information, and act on it within the space of one day would be known only to the boffins of the NPF.





Transport adversaries realise common goals

by Bob Stott

IT MIGHT not look like it from the outside, but New Zealand's several modes of transport are not perpetually at daggers drawn.

Disagreements, arguments and even feuds surface from time to time. Road and rail are the two main adversaries, but others (for example, coastal shipping v rail) are not unknown.

When we get down to the nitty gritty, however, we find that people working in transport have something in common . . . they're all in the same industry.

That point has been emphasised in two recent public addresses from road transport people — one written just before New Zealand Railways issued its Time for Change paper; the other some time after Time for Change had been made public.

Road Transport Association executive director Bernard Gresham addressed a local Rotary Club on February 28 (he wrote the paper during the week before release of the Railways paper on February 26.)

Gresham said of NZR:—"Sound financial objectives need to be set and overall responsibility vested in a commercially oriented corporation. There is a place for rail in New Zealand's transport system. Railways should be restructured to provide an efficient long-distance line haul operation. Road transport should service rail and undertake short and medium haul cartage."

These remarks were akin to the broad principles expressed in Time for Change. The only real difference is that Gresham advocates a Railways corporation (an idea which Railways management does not support).

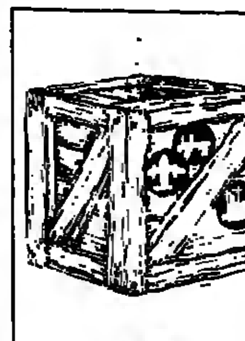
Gresham continued: "The extent of the ultimate Railways network must be declared. This could be a line from Auckland to Dunedin. Only a limited number of goods yards — five or six in each island — might suffice.

"Railways' current inefficiency makes them extremely vulnerable to road in virtually every area of operation. The road sector must be patient and would consider it a national disaster if the 150km limit were abolished in the near future. Railways must be directed to move progressively towards an efficient line haul role."

Time for Change doesn't go that far, but it points in the same general direction. It says 60 per cent of New Zealand Railways stations produced barely 2 per cent of revenue, and said closing of small stations will be speeded up. The general objective is to concentrate on well-developed "freight centres."

Gresham called for five or six such centres in each island. NZR sets no limit, but would hardly agree to so few. Time for Change, of course, emphasises the need to continually review operations of unprofitable lines.

Gresham again: "The Railways department is a very large road transport operator. It operates hundreds of trucks,



TRANSPORT

suburban and long distance buses. Private operators also provide such services and there would be a significant increase in efficiency if all suburban services were operated by the private sector."

NZR might well disagree, but Time for Change sees the phasing out of ancillary road operations (serving small railway stations which can't even generate a wagon-load of small lots). It also says that route services "which are few in number" will be continued.

Since the introduction of freight forwarding a fair slice of railway goods handling has passed from the NZR as such into private hands, and with an increase of efficiency too, as railways management agree.

On March 20, Road Transport Association president R P Martin came up with a "state of the industry" address. He spoke of the forthcoming review of road transport licensing, and said the railway system could not survive without some form of protection.

"There is a place for an efficient rail system within the country's transport network. No doubt the general manager of Railways had this in mind when he wrote the booklet Time for Change."

Martin called for a railways corporation, arguing it would see the Government divorced from the day-to-day operation of the NZR. And he had some sharp words for Transport Minister McLachlan.

The Picton ferry episode (discussed in this column on March 28) obviously irked Martin.

The proposal to shift the South Island terminus down the Marlborough coast was based on commonsense and sound financial objectives, said Martin. The Minister's declaration that the terminal would stop in Picton meant that Time for Change was "not worth the paper it is written on."

How many in Railways would dispute that viewpoint?

Martin agreed with the basic principles in Time for Change, saw a need to close smaller stations and trim back the rail network.

His main criticism was that the discussion paper lacked substance — that it spoke of "reviews" and "studies", rather than firm decisions.

The political realities of life, I feel, mean that NZR can go no further on its own than it did in Time for Change . . . the Picton episode surely illustrates that point.

Railways and the Road Transport Association are not so close together that NZR is selling out to private road transport in many parts of the country. And the association is not so close to NZR that it can no longer protect the interests of its members when they clash with Railways objectives.

But if the squabbles on details and local issues are ignored for a moment, there is some sort of consensus that New Zealand needs a stripped-down highly efficient and profitable railway network, serving the needs of people looking for long-distance line-haul freight services.

There are obvious differences in detail on how far the rail network should be reduced. The road carriers don't tackle the vexed question of social services — lines which are uneconomic but which serve a real need.

For example, the South Island West Coast has a reliable all-weather link in the line through the Otira tunnel. That line costs $7 million a year more than it earns.

Provided the alpine passes weren't blocked by six feet of snow, road carriers could compete on this route, at least with some commodities. But a case can be made to retain the rail link on "social" grounds.

In that case, shouldn't the cost to the taxpayer be reduced as far as possible by sending as much by rail as practicable?

A way out might be to refuse to upgrade the mountain roads on the grounds that the railway is doing the job already.

Commenting on the effects of open competition between road and rail and between road carriers themselves, Gresham said: "Transport is an industry in which a high proportion of costs is in providing the basic facilities. This applies to all forms of transport.

"Under-utilisation of capacity or an over-investment of capital has the inevitable effect of increased cost. Free entry (to the industry) and expansion can easily result in well-conducted undertakings being worked only to part capacity, and their combined heavy costs are spread over a small volume of traffic whereas with reasonable limitations the same work can be done more efficiently at less cost if they are working to reasonable capacity.

"It is false reasoning to suggest that ease of entry into transport promotes competition and therefore results in lower costs to users," he concludes.

Insurance commission clamps on direct sales

Melbourne Correspondent

A marked increase in direct response marketing in Australian insurance has prompted the Australian Life Insurance Commissioner to issue new guidelines controlling advertisements, or invitations by post and telephone for insurance business.

Under the provisions of the Australian Life Insurance Act the Commissioner has power to recall any promotional material to which he objects. Rather than implement these provisions, however, he has accepted the recommendations of a committee of insurance representatives that an attempt be made at self-regulation.

Australian insurance people are concerned that promotional literature used by certain companies could prove unfair both to the consumer, and to their competitors.

The new regulations, warn that any advertisement placed in newspapers and magazines, or any form of promotion inviting application forms, or telephone calls must use terms easily comprehended by the average member of the public. Care must also be taken that any comparisons between policies offered by rival companies must be made on an equitable basis, and nothing should be done to discredit unfairly other insurance companies' policies. The new rules also hold the company advertising responsible for distortion by omission.

Advertisers must inform the consumer whether, during the currency of the policy, the benefits will increase, or decrease, and whether the premium rates are fixed, or can be changed by the insurer. They must also tell the public when benefits and premiums cease, and where the sum payable is not guaranteed the advertisement must clearly show that the amount payable can decrease, as well as increase.

Several smaller Australian insurance companies have been very active in direct response advertising, promoting their policies through newspaper coupons, and in some cases by direct mailing to the customers of large retail stores. In general, the Australian Insurance Commissioner has warned insurance companies against the extension of this direct response marketing to the more complex type of policy.

"He's miming to a tape from head office."

Foreign firms trade free of local equity rules

by Rae Mazengarb

THE Government prefers New Zealand participation in the ownership and control of New Zealand subsidiaries of overseas concerns, but there are no fixed rules requiring any minimum of equity capital to be held by New Zealanders.

Officials from the Reserve Bank say this point is not generally recognised.

In fact, an "overseas company" means a company or a subsidiary of a company incorporated outside New Zealand; or any New Zealand incorporated company or its subsidiary in which 25 per cent or more of the voting power is held by overseas persons or companies.

Companies wishing to invest in New Zealand are assessed on their individual merits, but generally, the higher the percentage of foreign ownership, the more advantages the proposal is expected to bring to the country.

An assessment is made on the basis of a number of factors including:

- Impact on the environment and regional development;
- The extent to which resources or raw material will be developed and impact on employment opportunities;
- The degree to which the proposal will extend New Zealand's access to overseas' technology and scientific research;
- The extent to which it will promote industrial growth;
- Impact on productivity;
- Balance of payments implications;
- The degree and significance of participation by New Zealand shareholders and so on.

Legislation controlling foreign investment is in the form of the Overseas Investment Act 1973 and the Regulations of the following year, whilst the Exchange Control Regulations of 1965 control remittance of money overseas.

The Overseas Investment Act established the OIC which comprises five members, three from the public sector and two from private enterprise.

The commission considers, in accordance with Government policy and the Exchange Control Regulations, all proposals concerning overseas investment in New Zealand.

In general, consents are readily given where the company will be supplying managerial skills, technology and "know how" which will assist the growth of the New Zealand company or will offer new avenues for the export of New Zealand made goods.

But companies already operating here, say they are fairly happy about their treatment to date.

A stickler for 100 per cent foreign ownership, IBM can operate in New Zealand without a local equity requirement because of the nature of its business, computors.

Managing director, Basil Logan says even now the Government has a very objective approach to foreign investment.

BASIL LOGAN . . . nationalism is inappropriate issue

"Nationalism is an inappropriate issue. Foreign investment in technology is vitally needed in New Zealand," says Logan, pointing to the difference between an investment which transfers technology to New Zealand and one which withdraws New Zealand resources.

By contrast, ICI (NZ) Ltd, according to corporate relations manager, Lindsay McCallum, is atypical of multinationals with its "strong New Zealand citizenship base".

The company is controlled from within New Zealand by a New Zealand board of directors and 70 per cent of the products sold here are manufactured in this country.

"We see ourselves rather as an 'international company'," says McCallum.

Managing director of Unilever, J S Taggart is not conscious of any strong anti-multinational feeling in New Zealand but admits that while foreign investment has not been actively discouraged, the controls "have been difficult" for some companies wishing to operate here.

"The price-profit controls operating over the last five years have not been an inducement for foreign investment", says Taggart. He, along with other executives of overseas concerns, is awaiting with interest details of what could be a changed stance on Government's part.

General Motors' director Ian Stoce says he also feels that in the case of a multinational bringing technological expertise to New Zealand there is no suggestion of any growing restrictions on foreign companies' modes of operation.

He referred to problems of remitting profits in the past but there do not appear to be such restrictions now.

"We've nothing to send at the moment anyway".

It has always been exchange control policy to approve the remittance of interest, profits and dividends earned in New Zealand to the overseas beneficiaries provided the Reserve Bank gives prior approval.

An auditor's certificate is required for evidenciary purposes.

Except in special cases, repatriation of non-resident capital is permitted if the original funds have come to New Zealand through the banking system or in some other "approved manner".

Multinationals which have most complained about their treatment by the Government in the past are the oil exploration companies.

American explorer Hunt International Petroleum company was never happy about the Government's alteration of terms under which it had commenced its exploration programme here and the severe tax rates were among the factors which eventually led the company to pack up and go.

"We spent $50 million here without achieving what we set out to achieve. We were frustrated in these efforts by Government action", said John Tatum, resident New Zealand manager.

By this time the Government had leapt in on the exploration bandwagon and set up the State company Petrocorp NZ.

General marketing manager of Shell Oil (NZ) Ltd, [illegible] Eosther, said Government "interfered" in the business.

He admits no reasonable person could expect Government to keep out of such matters, but says the [illegible] would maintain [illegible] that the formation of Petrocorp was an unnecessary move at a time when [illegible] companies — which had [illegible] a lifetime in oil — [illegible] prepared to be [illegible] engaged.

"It is highly improbable [illegible] New Zealand can set up a company which has the technical strength to do the job", Eosther said.

As the oil crisis [illegible] international oil companies will be looking to the New Zealand Government for attractive concessions.

When the officials [illegible] "selling" New Zealand internationally — as has been done very successfully in countries such as Ireland — [illegible] can only guess the [illegible] the Government's [illegible]

One thing is quite [illegible] according to officials that controls on land-ownership — especially farmland — [illegible] unlikely to be relaxed.

Reserve Bank proposes cut price offer on NZ

by Rae Mazengarb

A WORLD-wide publicity campaign to sell New Zealand to multi-national corporations will be launched later this year.

Proposals for the campaign and a liberalisation of restrictions on foreign investment have been submitted to the Government by the Reserve Bank.

Industries most likely to benefit from an inflow of foreign capital, include tourism and some manufacturing areas.

Already the rest of the world has begun to notice the potential here.

New York-based International Political Surveys Inc last month described New Zealand as one of the safest countries in the world for foreign investment.

This recommendation should heighten the interest that international companies have begun to show toward investing in New Zealand's "abundant resources".

Already delegations from West Germany have been to look at South Island electricity, recently recognised as being in "gross surplus supply", at our huge coal fields and at the potential of our natural gas.

Members of those delegations have made no secret of the fact that they are impressed.

Environmentalists have been to the fore of groups which have expressed reservations about the amount of foreign activity here, but trade unions have also been discouraging. One foreign embassy official described trade unionism in New Zealand as being in a state of "irresponsible vandalism," and responsible for many overseas companies staying away.

The Government is keen, however, to attract foreign capital here, and, according to Reserve Bank spokesmen, is already reviewing current policy in this area.

In recent years Government policy has tended toward fairly restrictive control over the operations of foreign companies trading in New Zealand.

Overseas companies exploring the possibilities of investment have not found things easy. Many have complained bitterly about the "unnecessary trouble" from bureaucrats.

The prospect of dealing with large numbers of Government officials has even caused some potential investors to take their money elsewhere. (See NBR Jan 24).

Officials now say there is a need to adopt a more favourable and encouraging attitude toward foreign investors and point to the need for a more streamlined process for companies seeking to commence business here.

Prime Minister Muldoon has been hinting about policy changes for some weeks.

He told the Auckland Division of Young Nationals early last month: "We require more overseas investment in those fields which are technically complex and we propose to change our rules accordingly".

But he said: "we are not about to sell our country. We are about to buy for a reasonable return the technological expertise which is essential if we are going to develop the resources which we have in such abundance".

Further reference to a more liberal stance toward the foreign investor was made during an address a few days later to the Wellington branch of the New Zealand Society of Accountants:

"We need more international quality tourist hotels and it is clear that in order to get them we must remove price control and ease up on foreign investment.

"The reward will be greatly increased external earnings and some relief to our battered invisibles account."

Muldoon went on to discuss the need for further processing capacity of our forest industries.

"Capital investment, however, is great and again we will have to use a proportion of foreign capital to supplement what we can generate internally."

At the same time, Muldoon has promised the Government will adhere to the criterion "which way back in 1964 I set when I brought together the rules to regulate foreign investment in New Zealand..."

This comment has left some officials slightly bewildered in view of his earlier somewhat conflicting remarks.

Proposals by overseas companies or residents to begin business in New Zealand or to take over New Zealand companies require approval under financial regulations considered in the light of current Government policy.

The first regulations were introduced in 1964, but the Labour Government elaborated those regulations when it entered office in 1973.

Since then, governments have adhered to the basic policy outlined by the then Minister of Finance, Bob Tizard:

"The Government welcomes overseas investment which can contribute to national development based on efficient specialisation, exports and advanced technology. At the same time we want to ensure that the level of overseas ownership and control is not excessive in relation to the benefit which New Zealand receives from the investment.

"The Government recognises that New Zealand owes its development very largely to overseas investment in the past and in recent years about 13 per cent of its total private capital formation has been provided by overseas companies and individuals. It also recognises a responsibility to establish and maintain a healthy investment climate for the future."

. . . but abroad, multinationals are shown the back door

by Andrew Fisher
of the Financial Times
London

THE multinationals, those vast and sprawling corporate empires whose business tentacles stretch around the globe, are finding their activities increasingly in the firing line these days.

Unlike the late 1960s and early 1970s, when the new emphasis on the environment and the rights of the consumer prompted spirited agitation in the home bases of large companies with household names, the main attention is now coming from the countries where they operate.

The world's major industrial, trading and banking groups are discovering more and more that countries like India, Nigeria, Malaysia, Australia, and Indonesia are prepared to temper their varying levels of enthusiasm for foreign capital with growing restrictions on foreign companies' modes of operation and crucially, their actual ownership.

The Malaysians, for example, have stipulated that 1990 will be the year by which Bumiputras — indigenous people, chiefly Malays, accounting for nearly 60 per cent of the population — will own at least 30 per cent of the equity in the corporate sector. At present, they have less than a tenth.

In Nigeria, Britain is the major investing country, the enterprise promotion decree promulgated back in 1972, and since revised, lays down three broad categories: small companies in fairly simple lines of business which should be wholly Nigerian-owned; those where the local holding should be at least 60 per cent; and those were the Nigerian holding should be no less than 40 per cent.

As in India and elsewhere, the tougher ownership rules have not stopped foreign capital from flowing in — four international motor companies, including Leyland, are building new plants in Nigeria — but they have not exactly made for a buoyant and optimistic investment scene. This points up the dilemma facing countries still in the throes of industrialisation. While anxious to transfer significant slices of foreign-held equity to local hands, or to keep them there, they are also in great need of outside investment.

Despite the anxieties of many international businessmen about the workings of such investment laws as India's FERA, the countries themselves argue that they are needed to prevent excessive profit repatriations and to avoid undue foreign economic influence. India, in fact, has moderated its Act to allow for 51 per cent foreign ownership for concerns able to bring in high technology allied to a commitment to export.

Australia is one country where policies towards outside companies have shown a bewildering inconsistency in past years. Under Gough Whitlam's Labour Government, the foreign investor met with a distinctly chilly response, notably in the mining and resources areas.

Yet the prevailing mood has since shifted in favour of foreign capital under the Liberal-National Country Party administration of Melcolm Fraser, not surprisingly with a current account deficit of A$3 billion expected for 1978-79. Australian officials have been travelling the world preaching the virtues of this more welcoming attitude and the Government has been doing its best to put this into practice. It has finally allowed British Petroleum to buy out its partner in the large Clutha Development coalmining operations in New South Wales.

Under its agreement, BP has said it will work towards 50 per cent Australian participation over a number of years, in line with national policy requiring a local partner in major natural resources sectors. The Australian Foreign Takeovers Act classes as foreign any company which has at least 15 per cent of its shares in outside hands, or if the aggregate foreign holdings total 40 per cent or more.

Several bids ran into difficulties last year over the requirement that local equity be retained or reintroduced.

Textron of the United States received the go-ahead for its bid for John Sands, a greeting card and printing group, only by agreeing to keep a local equity component of at least a quarter, while the bid by Brooke Bond of the United Kingdom for the Bushells tea company was held up for similar reasons. Another British group, however, the Pilkington glass manufacturer, was allowed to buy 100 per cent of Sola, which makes lenses, because it intended to infuse this company with its own high technology.

It is clear from the varied conditions to which foreign operations are subject that leading companies are being simultaneously welcomed and held in check by governments. Along with the necessary entrepreneurial vigour, therefore, the multinational which hopes to continue prospering also requires a large dash of diplomacy.

Refinery plan offers key to cut lead level

by Belinda Gillespie

WITH the Marsden Point Oil Refinery extensions still at the planning stage, it seems that New Zealanders will have to keep inhaling lead-laden fumes for years to come.

New Zealand petrol has a high lead content by world standards — other developed countries have progressively reduced the quantities of lead added to petrol, in the light of mounting evidence as to the potential health hazards of too much lead in the environment.

The Government has stalled for several years in the hope that the refinery extensions would resolve the problem.

The Clean Air Council in 1974 recommended that petrol's lead content should be reduced progressively over six years. The council suggested that till the proposed oil refinery expension took place, a reduction from the 1974 level of 0.84 grains litre to 0.68 g/l in 1980. By January 1 1981, or the completion date of the refinery, whichever was sooner, lead should be reduced to 0.45 g/l. The refinery should be designed to produce petrol at this level, but should be flexible enough to make subsequent changes to meet standards adopted by the EEC.

There has been no action so far on these recommendations. Meanwhile in Britain the current maximum is 0.45 g/l. In the United States, the Environmental Protection Agency has successfully enforced regulations requiring lead-free fuel to be available at all but the smallest filling stations, and has won several legal battles in order to impose overall limits on lead in petrol.

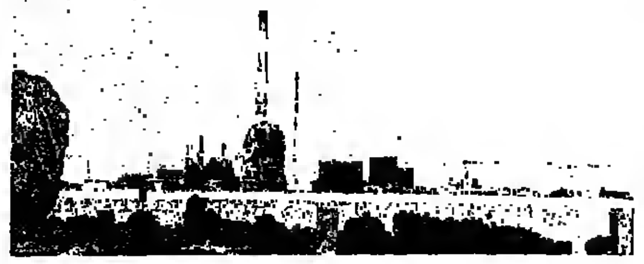
The average lead content of petrol in the United States is now 0.18 g/l. Since 1978 the Germans have had a lead law imposing a ceiling of 0.15 g/l. The Scandinavians, Austrians and Swiss have reduced lead in petrol to 0.4 g/l, while Japan has banned it entirely from regular grade fuel. The Soviet Union banned lead from petrol sold in cities from 1959.

Yet New Zealand continues at a level double the highest of these.

With oil scarce, or expensive, or both, it's a bad time to talk about taking the lead compounds out of petrol. Doing without it is easier said than done. It is added to give high-octane performance, so cars can have higher compression ratios and save fuel. Without it, engines "knock", that is, the fuel explodes prematurely in the cylinder instead of burning evenly, and harms pistons, exhaust valves and gaskets.

There are promising alternatives. A blend of 15 per cent methanol with petrol raises octane rating and LPG will also allow a reduction to be made in the amount of lead.

Expansion and retuning at Marsden Point will also permit the refinery to produce a high-octane fuel with less lead. Though a higher energy input will be required, the cost in overseas funds and the cost to the individual motorist should not be great. The limitations of the present refinery mean that any changes would significantly increase the crude oil quantity required to produce a given amount of petrol, if lead additives are not used. The cost in overseas funds would be considerable.



MARSDEN POINT . . . extensions would give the Government s way out

The West Germans have gone for a high-octane fuel with little lead; the Americans for making unleaded, lower octane petrol for lower compression engines, or keeping on as they are, but equipping cars with a special lead trap.

General Motors is looking at another alternative — the development of a high-performance engine with a sensor to detect "knock". A signal is fed to a microprocessor, which adjusts the engine's ignition timing, reduces power slightly, and prevents damage to the engine. The engine can then be driven "on the edge of knock" with the advantage of high compression and lead-free fuel.

Weighing cold hard cash in the balance against human health is not a popular exercise with politicians. There are certain indisputable facts. Three quarters of the lead in petrol ends up in air as a fine aerosol. Vehicle exhausts account for over 90 per cent of the lead in city air. Lead accumulates in the environment, so that even remote areas can be contaminated.

But the actual effects on human health are so far unquantifiable. The issue is an emotional one, because child health is involved. The argument is how much airborne lead contributes to total load burdens, and whether these have exceeded safety limits. Scientists, depending on which way their sympathies lie, can select their evidence and argue their case accordingly.

While there are costs involved for both motor and oil industries in a transition to lead-free petrol, these should be seen as inherent costs of petrol-engined transport. Keeping lead in petrol because of the cost in overseas funds is tantamount to admitting that lead gives petrol a competitive edge over other fuels at the expense of the environment.

Lead in petrol is a negative tax discriminating in favour of petrol-engined vehicles and against other forms of transport fuelled, for example, by diesel and electricity — if prices were allowed to reflect the real cost, consumers could make their choice accordingly.

Studies on New Zealand children show that paint from old houses and vehicle exhaust fumes appear to be the main sources of lead absorption. Lead poisoning is rare, but a small proportion of pre-school children have levels of lead in their bodies high enough to cause concern to health authorities. There is evidence that children are being affected by levels of lead lower than those known to cause outright symptoms, while other evidence can be produced to counter this.

When Rob Muldoon was tackled in 1977 about Government inaction on the health hazards of lead emissions from car exhausts, he told the New Zealand Clean Air Society that the Health Department had no proof that this source of lead was a danger to health.

Despite the absence of proof that lead in the air endangers health, the Health Department is still committed to reducing lead in the environment as much as possible. The department input, however, is only one of many in what is largely a socio-political decision.

A department spokesman emphasised that the [illegible] exposure of children [illegible] under "constant scrutiny". While most lead ingested [illegible] from food or soil [illegible] around old houses painted with lead-based paint, the department expressed [illegible] more than "interest" in seeing the lead content in petrol reduced.

The Commission for the Environment is currently awaiting New Zealand Refining Company [illegible] report on the proposed expansion, in which the environmental and health aspects of lead in petrol will be discussed. Once the report is made public, the commission will receive submissions, and then will present its conclusions in an environmental audit. One could conjecture that the proposed level of [illegible] g l will no longer be good enough, in the light of mounting still inconclusive evidence as to the health hazards of lead as well as the relatively low levels now accepted in Europe and the United States.

If the refinery extensions do not, after all, go ahead, the Government may have to make an unpopular and expensive decision to get its priorities in order and reduce lead in petrol regardless of costs in energy.

Local broker goes it alone

by John Sloan

SOME of the world's biggest insurance brokers, which are technically merging, have been talking about "pooling resources", "sharing profits" and "rationalising international operations".

Some big names are involved in these "superbrokers" — Marsh McLennan and Bowrings for example, Alexander and Alexanders coupled with Sedgwick Forbes and Bland Payne.

One local broker will be largely unaffected by the international deals. He has opted to go it alone in New Zealand.

Bob Fenwick, managing director of Bland Payne Fenwick Ltd, has announced that his company will not be merging with Sedgwick Forbes in New Zealand.

Fenwick has arranged to buy Bland Payne's minority interest in his company, but Bland Payne will continue the Lloyds connection.

Both Fenwick and Bland Payne recognised that local and international continuity of service to clients was paramount and any "parting of the ways" competition could damage both of them.

Fenwicks other company, Marsh and McLennan Fenwick Ltd, will continue to operate as at present but Marsh & McLennan will retain its shareholding.

Mergers often result in broker's clients switching to other brokers.

Fenwick anticipates some activity (principally generated by competing brokers and not clients), but dismisses it as "unlikely to succeed as the international support and facilities available to his group have in no way diminished".

Neither does he envisage losing any major international accounts because "the majority of them are appointed locally — little of our business has been overseas directed" [illegible]

LETTERS

Statistical skulduggery

POT calling the kettle black?

Your article March 21 ". . . three kinds of lies . . .". Pages 30-31, had some fine examples of "statistical skulduggery" in the misleading use of statistical charts.

But the best (or worst?) example I have yet seen was in your own journal, in the very same issue.

On page 27 your own chart shows the South Island population fading away to nothingness. Please! They do still make up more than one quarter of the population.

D J O'Dea,
NZ Institute of Economic Research,
Wellington.

Chambers adamant

IN your article of March 21 entitled "State drowns businessman in forms for filling", you speculate on two attitudes that the Chambers of Commerce might adopt.

You suggest that the movement might be sceptical about any glimmer of hope arising from the declared intention of Government to require departments to justify all relevant legislation.

Too right!

In an effort to be constructive and as factual as possible, we are starting on a survey to try to quantify a few things in this area, such as numbers, costs, irrelevancies, confusion. We will keep you posted. A few facts will do no harm.

You also suggest that the Chambers of Commerce are unlikely to be satisfied until all controls on business behaviour are removed.

Not so. We have never said so.

Certain business activities must, and always will be, subject to control or scrutiny. Government's job is to protect the weak from the strong. But it is not Government's job to distort the market place, discourage consumer choice or impose controls which discourage risk-capital from having a go.

Finally, you link this movement's name with the term "private enterprise". We do not battle for private enterprise. But we do battle for free, competitive enterprise (a market economy if you like), for all the other freedoms which are inextricably linked to that concept, and for an understanding of 'business' based on fact instead of emotion.

Alan R Simm
Executive Vice-president
NZ Chamber of Commerce

Assault on language

ASSAULT upon the English language would seem to be raison d'etre for the Public Service but I see no reason for journalists to invent ridiculous verbs from nouns as would seem to be a current fad. I refer to the twice used "accessing" which has no place in the 800,000 word language.

I would suggest that Stephen Bell (NBR March 28) would be doing service to journalism by throwing verbal garbage in the bin.

James Keen

The clever society

PROGRESS usually is a wonderful thing, but I sometimes feel we have reached a stage where progress backwards is becoming our downfall when I look at what is happening in New Zealand today.

Some whizz kid did a great job convincing somebody that we should change to decimal currency, which on paper looked a great idea, but the costs of replacement equipment, training, printing, cost the end user plenty. Certainly it kept a lot of people in a job, but finished up with giving us a currency that is useless. (Have you tried to spend a one or two cent piece lately?) It wouldn't be so bad if a dollar was a dollar world wide, but it isn't, and changes every day.

The next whizz kid, or think tank experts said, let's go metric — again this is a cost that will never be recovered and the end user will pay forever.

Let's look at our transport system and what it is doing to costs, which even if we can afford to pay, doesn't work fast or efficiently, or achieve a desirable end result. As an example, what about the Lyttelton Ferry, which was running at a loss of $1.5 million or some such figure each year? Somebody said, you can't run something at a loss, let's get rid of it. Did anybody take the trouble to find out:—

1. At what cost?
2. Why it ran at a loss?

I am not approaching the twilight years yet, but I well remember using this excellent service frequently, when the accommodation was dormitory style, community ablutions and, if you could avoid the tip for the steward, was a total "do it yourself deal", and people could afford it.

I also remember those thick slices of bread and cheese with coffee for supper, almost world renowned and the highlight of the trip, and what happened — we got clever again, because somebody decided meals should be served, people went private rooms and their own wash basin, and that everybody must have things done for them, because this is what happened overseas. And what happened? People couldn't afford to pay. The passenger list got smaller and deterioration was rapid. Now we have got nothing for the average man — the air lines look over with all their glamour, so you take it or leave it. Fare increases are regular and it won't be long before we can't afford that either. So, you see, we aren't so clever after all! Ask the men in the business community today who are trying to get goods between the two islands.

This is all brought about by what could probably be described as an ambitious society with too many brains and not enough common sense, also by too many people trying to carve out a job for themselves, to use up that high education qualification that everybody said we should have.

I wonder how many blunders we will make or are we ready to slow up and revert to the old ways, catering for a need, not the idealistic desire of a few.

I am not a cynic and I believe we can learn from our mistakes, but let's make sure we don't make any more. I also say we must be results orientated and am sure many will agree that our track record over the last ten years has not been good. The beehive boys are bewildered and so is Joe Citizen.

R T Duckmanton,
General manager,
Cooper Henderson Motors.